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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

FEBRUARY 3, 4, 5, 6, 7, 17, 18, 19, 20, AND 21, 1975

PART 2—FEBRUARY 17, 18, 19, 20, AND 21, 1975

Printed for the use of the
Committee on Agriculture and Forestry

MAY 1975

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

MONDAY, FEBRUARY 17, 1975

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, Russell Senate Office Building, Hon. Herman E. Talmadge (chairman of the committee) presiding.

Present: Senators Talmadge, Humphrey, Allen, Clark, Dole, Young, Bellmon, and Helms.

STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM THE STATE OF GEORGIA—Resumed

The CHAIRMAN. The committee will be in order.

The first witness this morning is the distinguished Senator from Mississippi who is also the chairman of the Armed Services Committee. We are honored indeed to have him appear before this committee.

Senator, you may file your full statement if you desire, which will be inserted in the record, and summarize it as you see fit.

STATEMENT OF HON. JOHN C. STENNIS, A U.S. SENATOR FROM THE STATE OF MISSISSIPPI

Senator STENNIS. Mr. Chairman, I certainly thank you. I had mentioned to you the idea of saving time. You have out-of-town witnesses.

I do have a prepared statement. I want to emphasize just one or two of the high points. I have the privilege of sitting right next to you on the floor of the Senate and a lot that I know about farming, I learned from you, but I was born on a farm, as you were, and I have the feel in my blood, too.

The CHAIRMAN. I know you do.

Senator STENNIS. Mr. Chairman, I went home during the Christmas recess. I called up friends over the State that I knew, responsible and reliable dirt farmers, and asked them to come to see me, tell me just how it was and what it costs to grow cotton. They were Mr. O. G. Tann, Jr., Mr. Arthur Nester, Mr. R. S. Cole, and Mr. Sam Creekmore, Jr., among others, and that includes our former Governor, now a member of the circuit court of appeals, Hon. J. P. Coleman. You and he served as Governors, I think, at the same time.

The CHAIRMAN. I remember him well.

Senator STENNIS. He is a dirt farmer, too, and loves cotton.

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Now, these men whose knowledge and integrity I know and respect, brought me at my request some of their facts and figures from their own books and memorandums, showing what it costs to grow cotton. I know these figures are known, but I want to bring this right directly from the horse's mouth, and I was amazed myself at the price of fertilizer, how it has jumped. Friends, Mr. Cole, of east central Mississippi in what we call the prairie area, brought me a list of his invoices for March 20, 1973, for 14–14–14. He was paying $68 a ton. A year later he was paying $104.25 for the same fertilizer. The price determined on December 23, the day before he was in my office, same fertilizer, $153 a ton.

You know that and the others know it, too, but I wanted to testify directly from what some of these men said.

I have similar figures here as do many other witnesses, small farmers, delta farmers, you know, from the rich alluvial land in western Mississippi, and I got a man to make a survey over there, and since then I have visited down in Greenville where I was speaker on a program of theirs and talked to many of them.

Now, I am sorry to report they are actually talking about going out of cotton, and I asked them not to do that. We are a national producer of cotton as the chairman knows. Cotton is a fiber that is going to continue to be needed, but they can not readily get financed, some of them, and some of them can not be financed at all unless there is some legislation here that they can show to their bankers.

The CHAIRMAN. Incidentally, there is a great need for further funds for Farmer's Home Administration.

Senator STENNIS. Yes.

The CHAIRMAN. I have written Chairman McClellan of the Appropriations Committee and also Chairman Mahon. This committee requested the Department of Agriculture Farmer's Home Administration to submit to it unmet credit needs and it was estimated $107 million. Frankly, I think that is low. I get calls every day from Georgia that they are trying to borrow money and they can't.

Senator STENNIS. Well, they have done a great job down home and I was going to mention, for this Farmer's Home financing, a better rate of interest, and also with reference to the loans. We just can not go on now with these high prices and this extraordinarily high interest.

Now, our folks—it is no threat but they are honestly planning to go into soybeans or go into rice.

The CHAIRMAN. They would not go into cattle at the present prices.

Senator STENNIS. No. Their hands are burned on that already. But that is the way a lot of the cotton acreage went in Mississippi.

The CHAIRMAN. Right. I suspect half the Georgia cotton producers will switch to soybeans this year.

You do not have any statistics on the cost of cotton production in Mississippi now, in that delta area and the hill area?

Senator STENNIS. Well, here is what these responsible people told me. Their estimate of the actual costs of growing a pound of cotton, in 1975, runs just a little lower in the delta area over on the west side, on rich land. There the estimates are a little lower—46, 47, 48 cents a pound. In what we call the hills, 51 cents—51, 52 cents, and this former Governor, as I told you, a highly responsible man as you know, said the actual costs to him this year, could not be less

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than 50 cents a pound, and he has well kept, preserved built-up land, gives it a lot of his personal attention.

Thank you very much. I appreciate your putting the statement in the record.

The CHAIRMAN. Thank you, Mr. Chairman, for your contribution. You have made great contributions to our deliberations in this matter.

Senator STENNIS. Well, thank you for your kind remarks.

[The prepared statement of Senator Stennis follows:]

STATEMENT OF HON. JOHN C. STENNIS, A U.S. SENATOR FROM THE STATE OF MISSISSIPPI

Mr. Chairman, members of the Committee, I appreciate this opportunity to present to the Senate Committee on Agriculture and Forestry my views on new farm program legislation.

My remarks today are directed primarily toward the production of cotton. However, many of the comments I make on that commodity can also be applied to other crops, including wheat, corn, grain sorghum and other feed grains, and to soybeans.

While the Senate was adjourned I spent several weeks in Mississippi, during which I visited many areas of the State and had extensive discussions with cotton farmers and other agricultural producers and scientists. I also had the pleasure of addressing the annual meeting of the American Farm Bureau Federation at New Orleans on January 7. While there I met with a number of the delegates to that meeting, all of whom are very current in their knowledge of the problems of the agricultural community.

More recently, on January 31 and February 1, I returned to Mississippi and made an extensive automobile tour through the Mississippi Delta, the tremendously fertile farming area in the western part of the State which extends from the Tennessee border south to the central latitude of the State. The Delta is one of the most productive agricultural areas in the nation. It is farmed very intensively and very skillfully, and the practices used there are the most modern and scientific. The farmers throughout Mississippi are in a bad situation as a result of some of the provisions of current farm legislation, and those who operate in the less productive areas and soils are of course in even more dire straits.

I can attest that all of the cotton producers in Mississippi are facing a very grim situation. I am reliably informed that the situation is the same in other cotton producing areas. If a remedy is not provided soon, we may see the end of cotton production as a major crop in the United States.

The fact is that rising production costs, caused by inflation, have simply outstripped the market price, and a farmer who plants cotton under the target price established by current law is facing a prohibitive loss in the coming crop year. I have been told by many cotton farmers that the estimated costs to produce a pound of cotton this year will be 49 or 50 cents. Estimates vary but they are close to that figure.

The inflation of production costs is a reflection of the increased costs of fuels and chemicals. Pesticides, herbicides, and fertilizers also have increased greatly in cost. It is obvious that further cost increases can be expected in gasoline, diesel fuel, and propane or other gas, all used in cotton growing, harvesting, and processing.

At the same time cotton prices have dropped substantially from a year ago and are presently very low. With the situation as it is today, a cotton farmer who plants his land this coming crop year is facing a potential loss of 11 or 12 cents a pound. He also faces a serious problem in getting the production credit he needs if he does intend to plant a crop.

There are a number of changes needed in the Agriculture Act of 1973 to meet this situation. They involve target prices, and the administration of Commodity Credit Corporation (CCC) loans and Farmers Home disaster loans.

The target or floor price established by the Agriculture Act of 1973 is 38 cents a pound for cotton. With estimated costs at 50 cents and rising, the incentive for a cotton farmer to put in his crop is obviously lacking. I strongly urge a necessary revision of the Act to provide for a target price of an absolute minimum of 52 cents a pound for cotton.

The Agriculture Act of 1973 contains an escalator clause, to adjust target prices for farm commodities such as cotton, wheat, and feed grains, so that they take into

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account rising production costs. However, the escalator clause does not take effect until the 1976 and 1977 crop years. This delay was established as one of the measures necessary to avoid a Presidential veto of the bill at the time it was passed. I propose that the escalator clause be made effective in 1975 and subsequent years.

The most troublesome aspect of cotton production is the fact that there is a great lack of stability from year to year, both in the supply of cotton available and in the price it will bring, creating a disorderly and unpredictable market situation.

The purpose of the Commodity Credit Corporation, according to the 1974–75 Government Manual, and I quote, "is to stabilize and protect farm income and prices, to assist in maintaining balanced and adequate supplies of agricultural commodities and their products, and to facilitate the orderly distribution of commodities." (End of quote)

In short, CCC loans are intended to promote stability of both price and supply, but as presently administered under relatively recent legislative changes, they fail to do so in cotton production. Loan levels are low, interest rates are high, and a farmer facing a low market price cannot hold his cotton long enough to avoid selling at a severe loss.

The Agriculture Act should be amended so that a firm loan rate is established at the time the crop is planted. The loan rate should be related to the estimated production costs of that crop, and set moderately below those costs, so that while the farmer would not be guaranteed a profit he could get adequate financing at today's production costs. This is essential in the situation with which we are faced. The interest rate certainly should be below the current rate of 9.375 percent.

The farmer should then have the option of holding his cotton under that loan for a period not shorter than one crop year beyond the year of production. Should the farmer elect to relinquish his crop in return for the amount of the loan, then of course the cotton is in the hands of the Commodity Credit Corporation and becomes a factor in market price stability. Provision should be made in the legislation to relate the selling price to the loan price. The price at which the CCC could sell the cotton would have to be set at a reasonable percentage above the loan level, so that the market would not be forced down to the detriment of the farmers who elected to hold their cotton.

Farmers Home emergency loans are a means of assisting agricultural areas which have had low production because of extreme weather conditions. As they are presently administered they can cause the marketing of crops under very unfavorable market conditions. The disaster loan program should be made as responsive as possible to the purpose for which it was established, which is to enable a farmer to finance another crop when he has lost one to weather.

In closing, Mr. Chairman, I wish to commend the Senate Agriculture Committee for the prompt initiation of hearings on the farm programs. If the Agriculture Act of 1973 had become law in the form in which it was originally passed by the Senate, some of the problems I have discussed would not have occurred, and I trust that these aspects can now be remedied.

I urge very strongly that the Congress give the highest possible priority to new farm legislation. The American farmer is entitled to a fair return on his investment, like any other business; he must have access to substantial amounts of credit at reasonable interest at the beginning of the crop year; and he should be able to expect enough stability in market prices so that he can plan ahead.

The world is in a food crisis. How it comes out is going to depend primarily on the American farmer. He needs all the help we can give him.

The CHAIRMAN. The next witnesses are Mr. C. L. Denton, president, National Cotton Council of America, Tyronza, Ark.; Mr. Dabney Wellford, assistant to the executive vice president, Memphis, Tenn., and Mr. C. Hoke Leggett, chairman, Producers Steering Committee, Hobgood, N.C., we are delighted to have you, gentlemen.

STATEMENT OF CHAUNCEY L. DENTON, JR., PRESIDENT, NATIONAL COTTON COUNCIL OF AMERICA, TYRONZA, ARK.

Mr. DENTON. Mr. Chairman, my name is Chauncey L. Denton, Jr., a cotton producer and ginner in Tyronza, Ark.

The CHAIRMAN. Is that in the delta area?

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Mr. DENTON. Mississippi River Delta area. I live on a farm, live in the country. This year I have the privilege of serving as president of the National Cotton Council on whose behalf I appear today.

I have with me Dabney Wellford, our legislative analyst for the council staff, and our chairman of the producers steering committee will make his separate statement a little later.

As you know, the council is the central organization of the American cotton industry, representing cotton growers, ginners, warehousemen, merchants, cooperatives, and millions in the 19 cotton-producing States. For the council to have a position on any matter, more than half our delegates from each of the seven segments must approve.

In the interest of time, Mr. Chairman, I would like to submit for the record——

The CHAIRMAN. Your statement will be inserted in full in the record. You may summarize it.

Mr. DENTON. Thank you.

The CHAIRMAN. As you know, we have had to put a time limit of 10 minutes because of the large number of witnesses.

Mr. DENTON. My own statement is directed to that end.

The council recommendations will be for needed adjustments in the 1973 act which will permit its market-oriented approach to work in a way that will lead toward greater stability and continuity of operations from the producers on through to the text mill and also for the consumer. While there are many features of that act that the cotton industry likes, under present conditions it is not working well for cotton mainly as was pointed out by the Senator from Mississippi, because of the sharp increases in production costs that have occurred since the law was written. The average cost of producing cotton as determined by USDA at that time was around 32½ cents in 1972 and it is up again around the figures of Senator Stennis of 50 cents in 1974, an almost unheard of increase in costs.

We recognize, of course, that the extremely poor 1974 yields make those 1974 costs abnormally high but even if we had normal production all over the belt the cost would average around the middle forties. The 38-cent target price, which is well below the average cost of production, obviously renders the law's payment provision almost meaningless. I say at this point regardless of the target price level, the $20,000 payment limit has an extremely serious impact on many cotton growers who produce a large part of the cotton. Of course, for those not subject to those limitations, the payment provision is a vital aspect of the program and needed to provide incentive for them to help grow cotton requirements for our domestic mills and our export customers.

The 1974 level of 27.06 cents per pound is for SLM 1$\frac{1}{16}$ inch and really has little meaning when your cotton cost of production is in the middle forties. Almost no producers can cover his out-of-pocket expenses by putting cotton in the loan. When the USDA announces as it did in 1973 and 1974 that even this low level may be lowered still further just before harvest, the production incentive coming from the law is completely nullified.

Mr. Chairman, we have great difficulty in believing that the Congress intended this type of interpretation that USDA has made

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of this loan provision of the 1973 act. It seems to us that law clearly states that the loan rate should be made final on November 1, prior to the planting of the crop.

The cost of U.S. cotton's competitors have also risen sharply in this time. Polyester sells for around 49 cents compared with 30 cents a couple of years ago. Rayon is up even more, to the middle fifties, so some manufacturers are saying publicly they expect further increases in this year and our Southern Hemisphere cotton growers were cutting back acreage last summer and fall when cotton prices were declining but had not declined as much as they are now.

The point I am trying to make is this is solid evidence that the cotton prices at present levels are well below what is required to meet competition for manmade fibers and also well below the general price range that would encourage foreign cotton production.

Beyond this, cotton prices at this time are too low to compete effectively, as you just pointed out, with soybeans, feed grains, other crops for land that normally goes to cotton.

Growers indicated in January that they intended to cut back 1975 acreage by around 32 percent—a round figure is a third—a level which is well below the national allotment prescribed by the act of 1973. In addition, and I cannot overemphasize this point, a number of Government actions are creating a forbidding environment for market-oriented cotton programs.

They include such things as banning of DDT, overly stringent regulations concerning worker safety, and application of pesticides. We do not really know what the impact of this is going to be, Senator, when it is applied to us at the beginning of this year. Sharp reduction in research and market development funds, failures to assure natural gas supplies to nitrogen fertilizer manufacturers—you are well familiar with this in your area—and reduction or even denial of disaster payments in many cases by the USDA regulations.

A temporary downturn in the world economy has severely reduced textile operations and depressed cotton prices. One result has been that export contracts for around a million bales sold to several Far Eastern countries have thus far not been honored and the uncertainty as to whether or not cotton will be shipped is depressing prices even more. Recessions will continue to occur from time to time, and weather changes will mean good crops in some years and poor ones in others. One of the basic needs for a farm program—a Government cotton program—is to help smooth out to some degree the extremely wide price fluctuations that can result from those temporary forces that are beyond our control. Without it, we tend to get over reaction which results in either too little or too much production.

Our recommendations are pointed toward making the Agriculture Consumer Protection Act of 1973 meet this basic purpose more effectively.

Now, in trying to finish up within the time limit, some comments and interpretations concerning our recommendations here, and I will be brief. The heart of the present Government cotton program is the price support loan and the target price. Because of the tremendous production cost increases that have been imposed by inflation and energy prices on cotton growers and their competitors, target prices and loan levels that were adequate in 1973 are no longer adequate.

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While our recommendations do not specify a specific figure, Mr. Chairman, one possible procedure for arriving at a more realistic target price has occurred to a number of our people. When the 38-cent target price was established in 1973—and I would like to mention as a side, if I remember correctly this committee and this body, the U.S. Senate, approved a 43-cent price even though we ended up 5 cents less—when that price was established despite your recommendation of 43 cents we were working on an average cost production of 32½ cents. Perhaps a similar relationship between production costs and target price might be maintained based on the 1974 cost of in the middle 40's if yield had been more normal.

Now, one of our recommendations points out that the payment limitation creates serious inequities among producers and asks that the program minimize these inequities to the greatest extent possible. This would be accomplished by keeping the market price from dropping too great a distance below the target price.

In our recommendation concerning the loan, Mr. Chairman, we recognize that the four criteria we presented to some extent tend to pull in different directions, that is, a loan level that fully assured adequate U.S. production might unduly encourage an increase in foreign production. But this is the kind of tension that always exists when pricing decisions are made. Every businessman wants to price his product high enough to make a profit but he recognizes his profit also depends on doing a satisfactory volume of business. So his price has to be low enough to compete for the volume he needs and yet high enough to make a profit. The cotton industry finds itself in just such a position.

We recognize too, Mr. Chairman, that because of unusually good yields or temporary economic problems such as we are having now, prices can fall below normal competitive requirements. The loan level should be such that farmers can pay off a substantial part of their production credit loans from the price of the CCC loan in order to get financed for another year and to keep from dumping some cotton on the market when prices are unduly depressed.

On the subject of forward contracting, Mr. Chairman, our industry has worked hard to facilitate—this relatively new marketing practice. A council committee has developed a model contract and is still working on its improvement but the committee has found no practical way to assure performance by the parties to the contract. Therefore, we supported in the last Congress a bill by Senator Bellmon that would have required USDA to encourage private insurance companies to form an association for that purpose, with the Government covering a portion of extraordinary losses in the early years. We hope this committee will see fit to move again on this bill.

Many growers were hit very hard last year by infavorable weather and have been unable to pay off production loans and we want to sustain you in what you just said, that for many of them additional credit to the farm in 1975 is simply unavailable from private resources. Senators Eastland, Stennis, Senator Dole, Senator Allen, and Senator Young have offered Senate bill 555 which would give such people greater access to the Farmers Home Administration loans. We hope that this bill will receive favorable consideration.

Mr. Chairman, I thank you for your time. We will be glad to attempt to answer any questions you might have.

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The CHAIRMAN. Thank you, Mr. Denton. We will hold questions, if the committee will agree, until Senator Thurmond presents his testimony. He had been unavoidably detained.

Senator Thurmond, we are honored indeed to have you appear before this committee. We know of your deep interest in cotton. You have talked to me about it many, many times and I know you are thoroughly familiar with the plight of the cotton farmer, not only in South Carolina but throughout the Nation.

If you desire to do so, you may insert your statement in full in the record. Unfortunately because of the large number of witnesses who requested the opportunity to testify, the committee had to limit testimony to 10 minutes.

STATEMENT OF THE HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator THURMOND. Thank you very much, Mr. Chairman.

Mr. Chairman, I think I will talk the 10 minutes with some of the vital parts and submit the rest.

I appreciate this opportunity to testify before the Senate Agriculture and Forestry Committee regarding the urgent need for revisions in the various farm programs.

Since the passage of the Agriculture and Consumer Protection Act of 1973, there have been great changes in the world food situation and the conditions under which American farmers grow food and fiber for this Nation's 210 million people and much of the rest of the world. Various spokesmen for Agriculture who recently appeared before this committee during the initial week of hearings, including a number of my distinguished colleagues in the Senate, have effectively described the significant changes that have taken place in the agricultural picture in the last several years. They have emphasized, among other things, that:

(1). The world food supply situation in the immediate future is critically short of world demand. Longrun prospects for improvement depend on the ability of countries throughout the world to greatly expand agricultural production and, at the same time, to significantly curb their rate of population growth.

(2). At a time when it is imperative for American farmers to grow more food, the cost-price squeeze surrounding producers of most commodities has become so severe that it has brought economic disaster to many farmers and threatens to further curtail our agricultural productive capacity.

(3). The worsening cost-price squeeze has been brought about by the fact that the prices farmers must pay for the inputs they need, have, in general, increased at a far more rapid pace than the prices received for farm commodities in the market. Perhaps the biggest contributor to high production costs has been higher energy costs, in the form of higher prices for fuel, farm chemicals, nitrogen, mixed fertilizer and other key inputs.

(4). In the face of enormous and even sudden increases in production costs, the prices of some agricultural commodities have actually fallen in recent months. This has been especially true for the livestock industry and has meant disaster for many cattle farmers. It has also

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been painfully true for producers of cotton, milk, and other important agricultural commodities.

(5). Target prices for the various commodities covered by the 1973 legislation have become woefully outdated. With today's much higher production costs, target prices for grains, milk, cotton, tobacco, and other agricultural commodities are simply of no benefit to farmers. The target levels are too low to function either as meaningful incentives for greater production or as sufficient guarantees to farmers that they will not face eminent bankruptcy in the event of unexpected crop surpluses.

There are other good and valid points that can be made, but what we must all realize is that the time for effective revisions in the various farm programs is overdue. For the good of our farmers and all those who depend on agriculture for income, food, and fiber, we must continue to have a realistic approach to agriculture at the Federal level. Various proposals for legislative action have been placed before this committee, some of which are not in the best interest of our farmers.

While I favor bringing target prices up to a more reasonable and realistic level, I want to make it clear that I do not favor drastic alterations in farm legislation that would lead to Government control over agriculture. In my opinion, the farm interests in my State and in the Southesast do not want Government controlled commodity reserves. I believe the people of this Nation, including an overwhelming majority of farmers, want to continue to move toward a market-oriented agriculture. Those who claim that this is just another name for a boom-and-bust philosophy have too soon forgotten that excessive Government interference with agriculture has been one of the principal farm problems.

This Nation does not need a totally new approach to farm programs, but it does need these programs to be continually updated. Our farmers do not want to see the present free market approach thrown out the window. They want agriculture to remain strong, viable and free, with the potential to expand and adjust to changing market conditions resting in their hands—not in those of a Government bureaucracy.

Having emphasized this point, I would like to concentrate on several key areas of agriculture that are important to the farmers of South Carolina and in need of immediate attention. The committee will receive additional testimony today regarding proposals to help cotton and tobacco farmers, whose crops are vital to South Carolina agriculture.

Cotton: On January 28, 1975, I introduced legislation to raise the target price for cotton from the present level of 38 cents per pound to 55 cents per pound, beginning with the 1975 crop. At that time, I pointed out that farm production costs for cotton have skyrocketed since the target price was set at 38 cents per pound. Especially unfortunate for our cotton farmers, market prices have declined to a level where it is virtually impossible to make a profit.

The Department of Agricultural Economics at Clemson University, which is the land-grant university in our State, has recently calculated that it costs a minimum of 55 cents per pound, excluding any charge for land and return to management, to produce cotton on land

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yielding an average of 500 pounds per acre. For the information of the committee, I am including a copy of budgets prepared by Clemson University for typical cotton, corn, and soybean farmers in South Carolina.

The CHAIRMAN. Without objection it will be inserted in the record.

COSTS AND RETURNS OF COTTON, SOYBEANS, AND CORN AT DIFFERENT YIELD AND PRICE LEVELS

		Cotton (pounds)			Soybeans (bushels)			Corn (bushels)		
	Prices	400	500	600	21	28	35	60	80	100
Seed		6.75	6.75	6.75	12.25	12.25	12.25	6.50	6.50	6.50
Lime		7.00	7.00	7.00	4.62	4.62	4.62	4.62	4.62	4.62
Mixed fertilizer		36.00	42.00	42.00	15.00	20.00	25.00	30.00	36.00	36.00
Nitrogen		11.40	15.20	15.20				21.00	21.00	21.00
Herbicides		10.00	14.30	14.30	7.50	15.00	15.00		5.75	5.75
Insecticides		42.93	51.53	51.53	1.94	1.94	1.94			
Defoliant		2.10	2.10	2.10						
Tractor and equipment		53.33	58.10	58.10	28.18	28.18	28.18	31.71	31.71	31.71
Aerial chemical application		18.75	21.25	21.25						
Labor ($2.50/hr)		15.50	15.50	15.50	8.75	8.75	8.75	14.50	14.50	14.50
Interest on operating capital		7.67	8.80	8.80	2.70	3.27	3.49	3.90	4.43	4.43
Ginning and warehousing		24.00	30.00	39.00						
Cost per acre (excludes land)		235.43	272.53	281.53	80.94	94.01	99.23	112.23	124.51	124.51
Cost per pound or bushel		.59	.55	.47	3.85	3.36	2.84	1.87	1.56	1.25
Operating capital required		170.43	195.63	195.63	60.06	72.56	77.56	86.62	98.37	98.37
Net returns to land, management and general overhead:										
Returns from cottonseed	$0.05/lb	32.00	40.00	48.00						
I. Cotton	$0.55/lb	−15.43	2.47	48.47						
Total lint and seed		16.57	42.47	96.47						
Soybeans	$8/bu				87.06	129.99	180.77			
Corn	$3.50/bu							97.77	155.49	225.49
II. Cotton	$0.45/lb	−55.43	−47.53	−11.53						
Total lint and seed		−23.43	−7.53	36.47	45.06	73.99	110.77			
Soybeans	$6/bu							67.77	115.49	175.49
Corn	$3/bu									
III. Cotton	$0.38/lb	−83.43	−82.53	−53.53						
Total lint and seed		−51.43	−42.35	−5.53	24.06	45.99	75.77			
Soybeans	$5/bu							37.77	75.49	125.49
Corn	$2.50/bu									

Prepared by: B. H. Robinson, Agricultural Economics (Extension Production Economics), Clemson University, Nov. 12, 1974.

Senator THURMOND. It is easy to note the negative returns on acreage planted to cotton as compared with the more profitable situation for soybeans and corn.

In response to the unfavorable market situation, South Carolina farmers have indicated that they will plant less than half the cotton acreage which they planted last year. The situation is not unique to South Carolina, with cotton farmers across the belt sustaining losses. On a nationwide basis, cotton acreage is expected to be down 32 percent from last year. Clearly, if we are to produce sufficient cotton for domestic and export needs, cotton farmers need better incentives than the present target price and market situation provide.

Accordingly, I urge the committee to approve a reasonable increase in the support price for cotton. I also hope the committee will carefully consider needed adjustments in the Commodity Credit Corporation loan rates for cotton. Ideally, the CCC loan rate should be high enough to allow the cotton farmer to pay the larger share of his vari-

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able operating costs with loan funds received. At the same time, the loan level should not be so high as to interfere with the operation of normal markt prices.

At present, the law provides that the average loan rate will be 90 percent of the average price of American cotton in world trade markets over the past 3 years. Using this formula, the average loan rate for the 1975 crop will be approximately 34 cents per pound, a level which most farmers feel is too low. I suggest that the committee consider changing the formula to either 100 percent of the average world price over the past 3 years, or basing the loan level on the most recent 2-year period.

Raising the target price and CCC loan level to more reasonable figures will certainly be no panacea for cotton producers, but I believe it will enable the more efficient farmers to survive until the world cotton and textile situation improves.

Tobacco: In anticipation of additional testimony this afternoon from spokesmen from the tobacco industry, I would like to make a few comments about this important commodity.

While tobacco farmers fared reasonably well this past year, they too, have been hard hit by production cost increases. Fuel is a very essential input for the flue-cured tobacco farmer, not only in his growing operation but also in drying and curing the tobacco leaf. Thus, higher energy costs have especially hurt the profit situation of tobacco producers.

I hope that the committee will approve a modest increase in tobacco support prices as part of a general farm bill. Tobacco support prices should accurately reflect today's much higher production costs, and the present formula approach does not do this effectively. A number of devices have been suggested to accomplish higher tobacco crop support levels. For the information of the committee, I am attaching a supporting letter from Mr. Harry Bell, president of the South Carolina Farm Bureau, in which he outlines three possible approaches to raising support levels.*

Later today, I will be introducing legislation to amend the Agricultural Adjustment Act of 1938 to allow leasing of type 13 tobacco allotments or quotas across county lines within the same State. I realize that leasing allotments across county lines is a very controversial subject within the tobacco belts, and it may well be that separate hearings will have to be held on this matter. However, it has become apparent that South Carolina farmers, who grow entirely type 13 flue-cured tobacco, generally favor such a change.

Precedents for modifying leasing restrictions were established in 1971 and 1973. Public Law 92-144 allowed certain types of Virginia tobacco to be leased across county lines. Then in 1973, certain counties in Georgia and South Carolina which had suffered losses due to natural disaster were allowed to lease allotments across county lines on an emergency 1-year basis.

While I believe greater flexibility in leasing provisions would benefit the tobacco industry as a whole, I also understand the objections voiced in the past from some areas. However, I do hope the committee will see fit to report, as promptly as possible, legislation that will allow

*See p. 581.

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tobacco growers in the type 13 area the freedom to lease allotments across county lines within the same State.

Livestock: I hope the committee will carefully consider revisions in present farm programs that will benefit our financially troubled livestock farmers. The Emergency Livestock Credit Act, passed last summer, has been of some benefit to cattle producers and other livestock farmers. Consideration should be given to extending this act and modifying it, as appropriate, to better serve farm credit needs.

Mr. Chairman, my time is up. I want to thank the committee and I will just ask that the rest of my statement be placed in the record.

I do feel that something has to be done without delay on behalf of the livestock farmers. I have talked to a number of them and they are really in bad shape.

I feel—I grew up on a farm—and I guess I have deeper interests in farming than some Members of Congress, but in my judgment, this talk about the farmers getting rich and consumers paying too much is pure fallacy. The farmers do not make it. The middleman makes it or the processors make it or the supermarkets make it. It is not the farmers who are getting rich.

The CHAIRMAN. The farmer's share of the food dollar now is about 39 cents.

Senator THURMOND. And the farmers just cannot stay in business unless something is done, and what will happen, if they do not stay in business? That means food prices are going to go up still higher and higher. The more farmers you press out of business, the higher food prices are going, and I think it is to the advantage of the whole Nation that the public be better informed on what the farmer gets, because he gets only a small percent of the price that the consumer pays. And it is my judgment that we have got to keep this in mind.

Now, I have covered some of the points. The rest of them are in my statement. I wish to thank you, Mr. Chairman, and you have proved to be a very able chairman in spite of the fact that you are a cousin of mine.

The CHAIRMAN. I do not consider that a handicap.

Senator THURMOND. And also I want to thank the members of this committee. You have some very able members on this committee, and I thank your official staff, too, for their consideration. We will appreciate all that you do for the farmers.

The CHAIRMAN. Thank you very much, Senator Thurmond, for an excellent statement. As you know, when we wrote the Agricultural Act of 1973, which was about 18 months ago, we tried to set a minimum target price of 70 percent of parity for the principal basic agricultural commodities. At that time it was 43 cents for the cotton, with an escalator clause in it. We went to conference with the House. We were threatened with a veto from the White House, and also the Members of the House remained in a very rigid position, so we had to reduce that level.

Since that time the target price and loan level concept is completely unrealistic because of the rapid increase in cost of production.

Now, 70 percent of parity at the present time, target price, would be 53, very close to the figure that was put in your bill. Would you not think any realistic target price ought to be at or near the cost

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of production and any realistic loan ought to be somewhat close so the commodity could flow freely into the world markets.

Senator THURMOND. I thoroughly agree.

The CHAIRMAN. Any further questions?

Senator THURMOND. Mr. Chairman, if there is no objection, I have attached to my statement some tables. I think they will be helfpful to the committee.

The CHAIRMAN. They will be inserted in the record.

Senator Young?

Senator YOUNG. No questions.

The CHAIRMAN. If there are no questions to be addressed specifically to Senator Thurmond, we will excuse him at this time. Thank you very much for your statement.

[The following letter was referred to on p. 579.]

SOUTH CAROLINA FARM BUREAU,
COLUMBIA, S.C.,
January 30, 1975.

Hon. STROM THURMOND,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: In answer to your question concerning our opinion on a "modest increase" in the price support for flue-cured tobacco, I would like to submit the following:

The Agricultural Act of 1949, as amended, provides that the level of price support for the 1961 and each subsequent crop of tobacco, for which growers have not disapproved marketing quotas shall be determined by multiplying the 1959 crop support level by the ratio of (1) the average of the index of prices paid by farmers for the preceding three calendar years to (2) the average index of prices paid by farmers during 1959. Under this provision, the level of support for the 1975 crop of flue-cured tobacco will be about 12 percent above the 1974 crop support level of 83.3 cents per pound. This would give a 1975 crop support level of approximately 93 cents.

In order to reflect the current cost of production, which we believe to be the intention of the Agricultural Act of 1949, and due to the abnormal rapid rise in the preceding years could be June 30 instead of December 31 with the possibility of using the two previous years instead of three previous years.

Upon consulting with Dr. Max Lloyd of Clemson University, we have confirmed the results of this recommendation to be as follows:

3-year basis ending June 30—$1.00/lb. crop support level.
2-year basis ending Dec. 31—$1.02/lb. crop support level.
2-year basis ending June 30—$1.07/lb. crop support level.

These figures are based on current rate of inflation and any upsurge of inflation from now to June would reflect in higher support prices if a "cut off date" of June 30 is used. Any of these options would give a "modest increase" in the support price of tobacco. However, if this requires an act of Congress and, if in your opinion, you consider any changes would endanger the Tobacco Program, the preserving of the program should have top priority.

Keeping the Tobacco Program, production control and price support, is of the utmost importance if we hope to continue the degree of prosperity to which farmers and businesses in the tobacco producing areas are geared.

Also, I would like to emphasize the need for an adjustment in the target price of cotton for the 1975 crop. As you know the target price for the 1974 crop was 38 cents per pound. The same economic factors which have increased the cost of tobacco production also applies to cotton. According to Clemson University economists, average cotton production costs per pound in South Carolina for 1974 (excluding land) were as follows:

400-pound per acre yield, 59 cents.
500-pound per acre yield, 55 cents.
600-pound per acre yield, 47 cents.

The average yield per acre in South Carolina (1973 figures—latest available) was 473 pounds per acre.

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The present trend would indicate that the 1975 crop will be more costly to produce. Therefore, we recommend that the escalation clause of the 1973 Farm Act become effective for the 1975 crop—rather than the 1976 crop—and that the CCC loan rate be high enough to facilitate orderly marketing.

With the implementation of the escalation clause, it is my understanding that the target price for cotton would be between 45 and 50 cents per pound . . . most likely in the high forties.

This action would certainly provide no panacea for cotton producers, but would be of tremendous assistance to them.

Thank you for your consideration of these two items, and if I can provide further information, please let me know.

Sincerely,

HARRY S. BELL.

[The attachments to Senator Thurmond's statement follow:

BEEF COW-CALF PRODUCTION, COASTAL PLAINS ESTIMATED COSTS AND RETURNS (30-COW HERD)

	Unit	Price	Quantity	Amount
Income:				
22 calves at 475 lbs each	Hundredweight	$32.00	104.50	$3,344.00
4.7 cull cows at 1,050 lbs each [1]	do	20.00	49.35	987.00
Total				4,331.00
Variable costs:				
Coastal Bermuda pasture	Acre	82.01	22.5	1,845.22
Coastal Bermuda hay	do	150.86	5.0	754.30
Winter pasture	do	65.00	15.0	975.00
Protein supplement	Ton	200.00	.50	100.00
Annual bull cost [2]				125.00
Marketing	Head	5.00	26.7	133.50
Veterinarian, medicine, salt, fly control	do	7.50	31.0	232.50
Interest on operating capital	Dollar	.09	2,082.76	187.45
Total				4,352.97
Returns above variable costs				−21.97
Fixed costs (see investment and fixed costs)				970.75
Machinery and equipment (hay and pasture)				334.80
Establishment cost for coastal Bermuda	Acre	12.77	27.5	351.17
Total				1,657.72
Total costs				6,011.69
Net returns to land, labor, and management				−1,680.69

[1] Assumes 1 percent death loss for breeding stock.
[2] Bull used 2 years and exchanged for $250 every 2d year.

Effect of varying prices on net returns to land, labor, and management, 30 cows:

Average price received per hundredweight		Net return to land, labor, and management (30 cows)
Steer and heifer calves	Cull cows	
$28	$16	−$2,296.20
32	20	−1,681.70
36	24	−1,065.30
40	28	−499.90
50	38	+1,088.60

Source: Prepared by Department of Agricultural Economics and Rural Sociology, Clemson University.

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INVESTMENT AND FIXED COSTS

(30-cow herd)

Item	Life (years)	Investment		Depreciation	Interest [1]	Taxes [2]	Insurance [3]	Total
		New	Average					
Livestock:								
Cows, 30 at $225		6,750	[4] 6,495		520			520.0
Bull, 1 at $900		900	[5] 775	$250.00	62			312.0
Facilities:								
Hay storage	20	750	375	37.50	30	3.75	2.25	73.5
Corral with headgate and loading chute	10	300	150	30.00	12	1.50		43.5
Miscellaneous equipment	10	150	75	15.00	6	.75		21.7
Total		8,850	7,870	332.50	630	6.00	2.25	970.7

[1] 8 percent of average investment.
[2] 1 percent of average investment.
[3] 6 percent of average investment.
[4] 30 cows at 1,050 lbs. each less 1 percent for death loss ,prices at $20 per hundredweight ($8,750 plus 6,240 equals 12,990 divided 2 equals $6,495).
[5] Selling the bull every 2 yr for $650.

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BEEF COW-CALF PRODUCTION: LABOR REQUIREMENTS FOR 30-COW HERD ON COASTAL BERMUDA GRASS AND HARVESTING HAY

[In hours]

Item	January	February	March	April	May	June	July	August	September	October	November	December	Total
Coastal bermuda			5		27	27		27	5				91
Herd management, hay feeding, and fence repairs	30	35	25	15	12	10	10	10	10	18	18	24	217
Total labor requirements													[1] 308

[1] Regular or operator labor=265 hr. Hired labor=43 hr.

STATEMENT OF MR. DENTON—Resumed

The CHAIRMAN. Senator Young?

Senator YOUNG. Mr. Chairman, maybe one of the reasons that everybody works so closely with southern Senators is that ever since I came here cotton and wheat seem to have about the same problem. When we wrote this farm bill 2 years ago, the average farm price for wheat was $1.41 a bushel and then it went up to $6 a bushel and now it is back to $4 a bushel. I note that you stress the increased costs of production. They have risen more sharply than I believe most people realize.

I know that you would like to have much the same program continued, keeping the target price and price support ban, but increase both of them up to where they would be realistic. Is that your position.

Mr. DENTON. Yes. I think it was well stated by Senator Talmadge a minute ago, to have a target price that would cover our cost of production and a loan level somewhat lower than that so that you do not have too great a difference in your loan level and target price.

Senator YOUNG. One farm organization, I believe, recommended that we abolish the target price and have high price support loan. If we did that, what would happen to the cotton industry.

Mr. DENTON. You would probably—if you had no target price at all, you would particularly hurt your smaller producer who is not affected by limitations.

Senator YOUNG. You would not be as competitive in world markets; would you?

Mr. DENTON. Well, of course, the target price concept——

The CHAIRMAN. If you will yield at that point, I think I can answer that question. You remember we had up until we put in the one price cotton situation two levels. We had a very high loan which held a protective umbrella over the production of cotton all over the world and all of our cotton was selling below loan levels so that the cotton went into the loan. the Government had to pay all the carrying charges, and then when we exported cotton overseas we had to pay a subsidy in order to get it into the channels of commerce, so we acquired about 17 million bails of surplus cotton and our export market deteriorated very very rapidly and this protective umbrella that we held over the rest of the world encouraged them to grow more cotton while Americans were growing less. It was the most insane program that the minds of man can conceive of.

Senator YOUNG. We had much the same situation with respect to wheat. We had an export subsidy most of the time.

One more question: You do want to keep the target price and the price support loans?

Mr. DENTON. Yes, sir, as our testimony indicates.

The CHAIRMAN. Did our colleagues have anything to add to what you have said?

Mr. DENTON. Mr. Leggett has a statement to make.

Senator BELLMON. Mr. Chairman, could I ask some questions? You said you operate a gin?

Mr. DENTON. Yes; gin on our farm.

Senator BELLMON. Have any of your customers or neighbors or have you been able to qualify for any payments under the present target price program?

Mr. DENTON. No, sir.

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Senator BELLMON. Why not?

Mr. DENTON. Because the average price received by farmers for the 1974 crop exceeded the 38-cent level. The way the law is written, if I understand it right, we average the price from January 1 on through December 31 and the price of cotton was high back in the spring and dropped, precipitously, during the summer.

Senator BELLMON. That seems to me to be a wrong way to figure the prices for 1974 cotton. The 1974 cotton crop did not start to be harvested until October-November.

Mr. DENTON. That is correct.

Senator BELLMON. Should we not, in the new bill put in a different timeframe for figuring these prices?

Mr. DENTON. Dabney, will you answer that?

STATEMENT OF DABNEY S. WELLFORD, ASSISTANT TO THE EXECUTIVE VICE PRESIDENT, NATIONAL COTTON COUNCIL OF AMERICA, MEMPHIS, TENN.

Mr. WELLFORD. I missed the question, I am sorry, Senator.

Senator BELLMON. The problem seems to be that in early calendar 1974 cotton prices were high but after we start harvesting the 1974 crop the prices came down sharply. The Department of Agriculture is figuring some kind of an average—in our new bill it seem to me to be wise to set a different timeframe for setting the average price of the 1974 cotton crop.

Mr. WELLFORD. Well, the 12-month period as you know for cotton differs from other commodities which is August to December; and this was done at the request of the cotton industry because certain parts of the belt sold their cotton outside of that 5-month period from August to December and they figured their cotton prices would not be reflected in the 5 months.

Senator BELLMON. But if you are a cotton grower, unless you are a rich cotton grower, and I do not think there will be too many, you are going to harvest, say, in October-November, sometime in there, but you are going to plant again by May and you have got to have some income during that period of time or you are not going to be able to get your crop back in the ground. It seems reasonable that we establish a period, say 5 or 6 months, during those winter months and if the price stays below the target price then the Department should pay whatever the farmers have coming to them so they can put out another crop.

Mr. DENTON. I am sure this was discussed in putting together the last law but for whatever reason it was put on the——

Senator BELLMON. What would you like to see?

Mr. DENTON. I certainly think it makes commonsense to have the target price related to the price you can get for your cotton during your harvest season thereabouts.

Senator BELLMON. What months would you recommend.

Mr. DENTON. That would be from August through December or January?

Mr. WELLFORD. Yes, sir; but our position does not say anything about a change in the period of time in which this is figured, sir.

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Mr. DENTON. We have no resolution.

Mr. WELLFORD. We do not have any position on any change.

Senator BELLMON. What do you think?

Mr. WELLFORD. I would have to rely on the judgment of the folks in the industry who felt that a 12-month period was more acceptable.

Senator BELLMON. I do not understand. I do not know—how come the cotton people only sell cotton in June?

Mr. WELLFORD. Well, the point was that some of the folks in your area, and the plains area of Texas—who stripper harvest—have to wait until after all the cotton is open before they put the harvester in the field and then because of weather or other factors it may be late December, even into January, before they get the crop out; and because of the fact the harvest occurs very, very late in the year, they are often into the following calendar year before they market the crop.

This was the reasoning behind using the entire calendar year as the basis for figuring the average prices received for the purpose of calculating whether we need any payments under the program.

Senator ALLEN. I think Senator Bellmon is right up to a point. I feel like we ought to work toward using the possibility the last 5 months in the year but for the 1975 crop, though, since the price is well below the target price now, I feel like we are rewriting it as to 1975; we ought to figure the market price either that 5 months or the calendar year, whichever is less, because now we are well below the 38 cents.

Senator BELLMON. I would not disagree.

Senator ALLEN. If you just use the 5 months you are talking about on this year, well, that would probably be a higher figure for the average price.

Senator BELLMON. But, Mr. Chairman——

Senator ALLEN. That would be my judgment on that.

Senator BELLMON [continuing]. Could we ask our staff to check back through past records to see what the averages have been?

Senator ALLEN. I want to ask Mr. Jim Thornton to get that information.

Senator BELLMON. We do not need to belabor it any more.

The CHAIRMAN. We can have the staff get that. So ordered.

[The above-mentioned material follows:]

PRICES RECEIVED BY FARMERS FOR SELECTED AGRICULTURAL COMMODITIES 1972 TO DATE

	Per bushel		Cotton (pound)	Soybeans (Bushel)	Rice (hundredweight)
	Wheat	Corn			
1972:					
January	1.33	1.09	0.2945	2.92	5.33
February	1.34	1.09	.3016	3.00	5.55
March	1.34	1.10	.2760	3.20	5.60
April	1.36	1.13	.3075	3.37	5.58
May	1.38	1.15	.3171	3.35	5.57
June	1.33	1.13	.3129	3.32	NA
July	1.32	1.14	.3086	3.34	NA
August	1.51	1.15	.3098	3.36	5.54
September	1.73	1.22	.2435	3.26	5.92
October	1.89	1.19	.2667	3.13	6.78
November	1.97	1.20	.2745	3.38	7.40
December	2.38	1.42	.2520	3.95	7.95

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PRICES RECEIVED BY FARMERS FOR SELECTED AGRICULTURAL COMMODITIES 1972 TO DATE—Continued

	Per bushel		Cotton (pound)	Soybeans (Bushel)	Rice (hundred-weight)
	Wheat	Corn			
1973:					
January	2.38	1.39	.2213	4.10	7.95
February	1.97	1.35	.2355	5.49	7.95
March	2.06	1.37	.2624	6.05	7.98
April	2.15	1.42	.2706	6.14	8.23
May	2.15	1.61	.3025	8.27	8.21
June	2.43	1.99	.2952	10.00	NA
July	2.47	2.03	.3038	6.69	NA
August	4.45	2.68	.3672	8.99	10.70
September	4.62	2.15	.4459	5.81	11.60
October	4.22	2.17	.4362	5.63	13.70
November	4.20	2.18	.4120	5.14	17.10
December	4.78	2.39	.4790	5.65	16.10
1974:					
January	5.29	2.59	.5720	5.87	15.80
February	5.52	2.76	.5650	6.07	17.00
March	4.96	2.68	.5540	5.96	17.30
April	3.98	2.41	.5840	5.15	15.40
May	3.52	2.45	.4870	5.21	NA
June	3.57	2.57	.4800	5.13	NA
July	4.04	2.91	.4580	6.10	NA
August	4.24	3.37	.4490	7.55	9.67
September	4.32	3.30	.4420	7.32	9.85
October	4.85	3.45	.5150	8.17	10.25
November	4.87	3.32	.5030	7.44	11.10
December	4.65	3.27	.4490	7.03	10.50

Mr. WELLFORD. If there had been a 5-month period there still would not have been any payments this year.

Senator BELLMON. I am not so sure. We had cotton in October last year selling for a quarter.

Mr. WELLFORD. It is the average price received by the farmers.

Senator BELLMON. That is the next point. Why can we not have an average by State or by some kind of area? I do not know why we have to have that average. We set this on 1 inch middling cotton.

Mr. WELLFORD. It is not based on any particular quality in this respect, Senator. It is the average price of the cotton that was actually sold in that particular month.

Senator BELLMON. More for the whole country and this means Egyptian cotton price and everything fits in.

Mr. WELLFORD. No. This Egyptian cotton is separated. It is the figure for upland type cotton.

Senator BELLMON. But what do you think about our rewriting the law so we get a differential between areas.

Mr. WELLFORD. This, I think, makes some sense.

Senator BELLMON. All right.

The CHAIRMAN. Any further questions?

Senator CLARK. Just one. I did not hear what your estimates were of the cost of production on cotton now. Did you give any figures on that?

Mr. DENTON. Yes. When the original law was written cotton was around 32.5 cents with a 38-cent target price in the bill although this committee recommended 43.

Senator CLARK. I heard that.

Mr. DENTON. Last year the average cost of production was in the vicinity of 50 cents. Now, recognizing we did have some below normal yields, and it is our feeling even if we had had normal yields that the cost of production would have been in the middle 40's last year. Of

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course that will probably be even higher this year because we had further inflation.

Senator CLARK. So you would look for costs of production to be something in the area of a normal year next year of what, 47, 48 cents?

Mr. DENTON. Fifty-cent area.

Senator CLARK. Fifty-cent area?

Mr. DENTON. I would say that.

Senator CLARK. And you said, you would prefer not to give, as I understand you, any advice in terms of what you feel the target price should be. Do you feel it ought to be around the cost of production?

Mr. DENTON. Again, as you probably recognize, Senator, we present the resolution and our interpretations of the Cotton Council and their feeling was that you should relate the target price in 1975 based on the cost in 1975 as related to 32½ cent cost in 1973 to get the target price of 38 cents.

Senator CLARK. Where does that bring us?

Mr. DENTON. That will get you in the upper 40- to 50-cent range.

Senator CLARK. So that would be around the cost of production?

Mr. DENTON. Right.

Senator ALLEN. The cost of last year's production. Nobody knows what this 1975 is going to be.

Mr. DENTON. Right.

Senator ALLEN. Except it is going to be higher.

Mr. DENTON. Yes, sir.

Senator BELLMON. Could I ask one question on that point? If we set a target price of 50 cents and a loan price, say, of 80 percent of 50 cents, would this eliminate—would this make cotton uncompetitive so far as its competition with other fibers or fibers from some other countries are concerned?

Mr. WELLFORD. Senator, the target price does not affect the market price.

Senator BELLMON. But the loan price does.

Mr. WELLFORD. The loan price. Now——

Senator BELLMON. If we set an 80-percent loan, let's just say we set the target price of cotton for 50 cents and 40-cent loan price, will this price cotton out of the market?

Mr. DENTON. It depends on who you ask as to what——

Senator BELLMON. I am asking you now.

[Laughter.]

Mr. DENTON. All right. Again I am trying to represent the overall views of the entire cotton industry. In trying to prepare to answer this type of question last week the executive committee which is representative of all segments of the cotton industry discussed this point. I was permitted in that conversation to say that a price of 36 to 40 cents was the price area I should talk about.

Senator BELLMON. For loans?

Mr. DENTON. I must tell you, Senator Bellmon, that there are those who think it should be higher than this and there are a few who think it should be lower. Some think a 40-cent middling inch loan would make cotton uncompetitive with synthetic fibers, but your producers will come back and demonstrate to you without question they cannot raise cotton for less than 40 cents a pound.

Senator BELLMON. So what is the answer?

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Mr. DENTON. I am speaking for——

Senator BELLMON. I would rather have your opinion than somebody else's. What do you think? You have dealt with cotton a long time. If we put in a loan price of 40 cents, will our warehouses fill up with cotton?

Mr. DENTON. I do not think so.

The CHAIRMAN. Mr. Leggett, you had a statement you wanted to make.

STATEMENT OF C. HOKE LEGGETT, CHAIRMAN, PRODUCER STEERING COMMITTEE, NATIONAL COTTON COUNCIL OF AMERICA, HOBGOOD, N.C.

Mr. LEGGETT. Yes. It is fairly short, Mr. Chairman and I will take only 4 or 5 minutes.

Mr. Chairman, my name is C. Hoke Leggett. I am a cotton farmer from Hobgood, N.C. I serve as chairman of the Producer Steering Committee of the National Cotton Council, and appear before you on behalf of that committee.

The producer steering committee, which represents the largest segment of the council—the producer—is composed of elected farmers from each of the 14 State units of the council, which is representative of all 19 cotton growing States. Some cotton growing States like Kentucky are combined with another State to form one unit. The committee membership is uniformly distributed across the Cotton Belt, and provides a true cross section of producer thinking throughout the Cotton Belt.

The producer steering committee is an arm of the National Cotton Council and supports fully the testimony presented here today by our president, D. L. Denton, Jr.

Council bylaws, however, provide authority for the producer steering committee to represent producers independently on matters where the council has taken no position due to a veto by any other of its seven segments. It is in support of such a position that I appear before you today.

In recent meetings in Phoenix, members of our committee unanimously recommended that the National Cotton Council work for a Commodity Credit Corporation loan program which would authorize producers to renew CCC cotton loans for a period of 8 months beyond the present statutory minimum loan period.

In this instance, despite strong effort on the part of all segments concerned, we could not reach the hoped-for agreement. Consequently, the resolution was not adopted by the council. Producers, under the bylaws therefore, were authorized to take independent action on the matter.

The Agriculture and Consumer Protection Act of 1973 instructs the Secretary of Agriculture to make available to cooperators nonrecourse loans for a term of 10 months from the first day of the month in which the loan is made. In the judgment of producers, in order to facilitate orderly marketing by the producer and to provide adequate supplies outside of Government stocks, producers with cotton under loan should be given the option to renew those loans for an additional 8 months.

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The option would allow producers to retain title to the cotton during periods of depressed prices, and hopefully, give the market further opportunity to recover. By being able to bridge two marketing seasons, farmers would not be forced to dump cotton on a depressed market, but instead, through more orderly marketing, have an opportunity to achieve a more desirable price.

We all understand the uncertainties of weather and the textile cycle and the impossibility of matching supply with market needs at all times. The additional use of the loan that we recommend could provide a mechanism for stockpiling cotton that is temporarily in excess of market demand, thereby avoiding deeply depressed prices and excessively steep production cutbacks. These supplies could then be fed back into the market as demand recovers. This would also help prevent severe price gyrations that hurt our ability to compete with man-made fibers and foreign cotton.

Neither mills nor cotton shippers, under current interest rates, can carry needed stocks in inventory. Our proposal would help to alleviate that problems, in that the longer loan period could possibly result in the accumulation of a stock of cotton from two crops under producer control and would allow additional time for orderly marketing of qualities temporarily in oversupply.

I appreciate the opportunity to present our views, and will be glad to answer any questions you may have.

The CHAIRMAN. Does the Senator from North Carolina have any questions?

Senator HELMS. No, sir. I welcome him to Washington where his money is being spent.

Mr. CHAIRMAN. Mr. Leggett, what size farm do you operate?

Mr. LEGGETT. About 1,000 acres of row crops, producing cotton, corn, peanuts, tobacco.

Mr. CHAIRMAN. How many bales of cotton do you produce?

Mr. LEGGETT. About 250.

The CHAIRMAN. What did it cost to produce per pound last year?

Mr. LEGGETT. About 35 cents.

The CHAIRMAN. What did you do with it?

Mr. LEGGETT. I still have it.

The CHAIRMAN. Unfortunately a great many Georgians are in the same fix. Are you hurting for credit?

Mr. LEGGETT. Well, I would have to ask my banker because he has it along with me, I guess at this present time, but certainly I think if we go into making production loans for new crops, I think we are beginning to hurt.

The CHAIRMAN. You think we ought to stay with the target price loan concept?

Mr. LEGGETT. Yes, sir.

The CHAIRMAN. What would be your recommendation? What appropriate target prices would be for cotton and appropriate loan level?

Mr. LEGGETT. You want my opinion or what I think producers across the belt on a——

The CHAIRMAN. I would like your opinion and then what you think the producers would recommend.

Mr. LEGGETT. My personal opinion is that we should have a target price of around 50 to 52 cents and a loan——

The CHAIRMAN. About the cost of production?

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Mr. LEGGETT. About the cost of production, realizing that in the original bill we had about 5½ to 6 cents if we remember, on the profit side. I think if you get a loan price in the neighborhood of production costs, and a loan of about 80 percent of that, and I think——

The CHAIRMAN. In other words, keep the loan lower than the target price concept so the commodity could flow freely into the channels of commerce?

Mr. LEGGETT. Yes. I also would urge, I think, that we keep the spread between the two from being too far apart. I think we run a real danger here of getting payments out of hand. I think that the Treasury people and you Congressmen and Senators should also look at this because I think we can get too far apart. Yet I think we need—we have to have loan rates high enough to be able to finance farmers. I do not think there is any question about it.

The CHAIRMAN. I think that makes sense.

Senator Young?

Senator YOUNG. I was interested in your last comment. That if you had too wide a spread between the loan and the target price, you would tend to have a lower market price and more Government payments. I think you are right that if we have too high a loan price then there is more of a tendency that—the cash prices would be lower and the target price program would cost more money.

Mr. LEGGETT. I think this is unquestionably true. If we get into a payment situation, the wider the spread between the two the higher the payment is more likely to be.

Senator YOUNG. You need some spread but not too much.

Mr. LEGGETT. Right. I think here if we get the price of cotton down to the target price or just below, farmers have to recover the cost of production, talking about in terms of 50, 52 cents, I think on an average, and yet we have to have about 80 percent, I think, of that to be able to finance through our banking institutions.

The CHAIRMAN. Senator Dole?

Senator DOLE. Mr. Denton indicated that the average cost of production in 1974 was abnormally high. Was that true in your case?

Mr. LEGGETT. No, sir. I would think we made an average crop. We did not make a real good crop, did not make a real poor crop.

The CHAIRMAN. What was the yield?

Mr. LEGGETT. It varied from 380 pounds up to as high as 600 pounds. We wound up with about 480.

The CHAIRMAN. Almost a bale per acre.

Mr. LEGGETT. Almost a bale per acre. The cost of nitrogen has been one of our big items.

The CHAIRMAN. And pesticides and tractors and——

Senator DOLE. Are you pinched much by the payment limitation in your own case or not?

Mr. LEGGETT. Not unless I would be involved in more than one crop.

Senator DOLE. There was some testimony in Mr. Denton's statement about certain handicaps but I think being realistic, it is probably going to remain. I do not see any change in this Congress.

Mr. LEGGETT. I think that is right and it is our larger producers who would be affected by limitations. I think they need not be unduly penalized because they are big farmers. The largest farmers produce over 80 percent of our total crop.

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The CHAIRMAN. Any further questions?

Senator BELLMON. I would like to ask a couple of questions. I do not want to monopolize things.

When you talk about your cost being 53 cents a pound, do you get a credit for the seed in addition to that? Does that take into account the credit you get for your seed?

Mr. LEGGETT. It pretty well takes in the credit we get for our seed which in our area is pretty small.

Senator BELLMON. It almost takes all the seed to pay the ginning costs?

Mr. LEGGETT. I believe I got back an average payment of about $4.25 a bale.

The CHAIRMAN. As I recall during the early marketing season of cotton, cotton seed was very, very low priced and then it escalated very rapidly after it got out of the hands of the cotton farmers; is that correct?

Mr. LEGGETT. I think that is correct.

Senator BELLMON. That is about a penny a pound.

Mr. LEGGETT. Just about.

Senator BELLMON. Would that reduce your cost 52 cents or did you take into account——

Mr. LEGGETT. Possibly, yes, I think from farm to farm with various field sizes and types of land, and so forth, it varies somewhat.

Senator BELLMON. One of the problems we had in the committee is getting accurate figures on what costs are. I have before me the figures we have been given by the USDA as to what the price of cotton was during recent months. You still have your cotton. What is the most you could have sold it for since you harvested it?

Mr. LEGGETT. Most of my cotton—somewhere around 38, 39 cents.

Senator BELLMON. What months would that have been?

Mr. LEGGETT. I guess January. We did not finish off until December.

Senator BELLMON. This chart I have shows that in November, average cotton price was 50¼ cents a pound and then in December it shows 44.9. Now, that does not jibe with the Oklahoma situation at all.

Mr. LEGGETT. It does not agree with the prices which were offered for cotton in December.

Senator BELLMON. I wonder where these figures came from. The USDA says that is the average price of cotton in this country. You are from North Carolina; I am from Oklahoma. There must be some basis in between.

Mr. LEGGETT. I am not aware of it. Contract cotton was delivered. We had a lot of cotton in the country contracted at 60 or 65 cents, that was delivered in November and December which held the prices up on an average.

Senator BELLMON. I do not know, Mr. Chairman, whether we want to take that into account or not. When I think of cotton prices, I think what you go to the gin and get your cotton for.

The CHAIRMAN. Talking about spot price a man can sell it for.

Senator BELLMON. My point in raising the question is we have to somehow tighten this up so the bureaucrats downtown cannot circumvent the will of the Congress. Our target price is not doing anybody any good. The cotton farmer is losing his shirt.

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The CHAIRMAN. Senator Helms.

Senator HELMS. Do you have any figures available to you about how much cotton is being held such as you are holding? In North Carolina, for instance?

Mr. LEGGETT. In North Carolina sometimes I suspect 80 percent of the crop is in the hands of the farmers or more.

Most of it is under private loan rather than under CCC loan because of the high interest rates of CCC—this in itself puts us out of the loan business.

Senator HELMS. You heard Senator Bellmon's question directed to the previous witness. What is your opinion about the 5 month versus the year?

Mr. LEGGETT. Certainly from my own personal point of view, and I am certainly no expert on how cotton is marketed all across the United States, but we market in North Carolina a good bit of our crop in January and February. So if you look at the tremendous cotton in North Carolina you probably start about November and run through until February. And yet we realize that further west they start marketing earlier than this and in the high plains and rolling plains of Texas probably a little later, so it would require, I think, considerable study on somebody's part to really find out which——

Senator HELMS. It is an either-or situation.

Mr. LEGGETT. That may be an answer to it.

Senator HELMS. I have no further questions.

The CHAIRMAN. What is the present CCC interest rate?

Mr. LEGGETT. 9.37; 9.35.

The CHAIRMAN. What is it predicated on?

Mr. LEGGETT. Cost to the Government, I presume, for money. I understand they are to review it this morning.

The CHAIRMAN. Present cost and not the average outstanding cost?

Mr. LEGGETT. I am not sure Senator Talmadge.

The CHAIRMAN. What do you think the loan rate ought to be?

Mr. LEGGETT. We lived with 5½ percent for a long time and I think we have to have interest rates we can live with and I think probably 5½ percent and that is personal again.

The CHAIRMAN. Senator Allen?

Senator ALLEN. Mr. Leggett, I just came from Alabama where I had several multi-county meetings with farmers. Many of our farmers still have the cotton because if they carried it to market and sold it there would not be enough to pay off the loans. Is that the situation that prevails generally?

Mr. LEGGETT. This is generally true. The banks in our area actually loaned more money than the loan rate was, and so somebody is going to have to come up and redeem those in order to get production loans for 1975 crops, these are going to have to be moved and they are going to have to be paid off because we need that money to be available to make production loans for 1975 and it has got a lot of people in pretty bad straits.

Senator ALLEN. [illegible] farmers were [illegible] their [illegible] for 1975 [illegible] Congress [illegible] going to [illegible].

Mr. LEGGETT. I think that is right and I think [illegible] as quickly as possible [illegible]

enough. You know the legislative process better than I and I do not think anybody can move very rapidly.

Senator ALLEN. Our 52-, 53-cent estimated cost of production, that is on the 1974 crop?

Mr. LEGGETT. Yes.

Senator ALLEN. Actually prices have gone up a whole lot since those expenses were incurred.

Mr. LEGGETT. Let me give you one example. I paid $86 a ton in 1972. In 1973 I paid $116 a ton for it and in 1974 I paid $320 a ton for it and I am priced today at $410 a ton.

Senator BELLMON. If you can get it.

Mr. LEGGETT. If I can get it. This shows really we have a 600-percent increase in 3 years.

Senator ALLEN. I was cited an exa nple by an Alabama farmer that a year ago, 100 pounds of calf, this is over in another area, but commodities are needed in both places, 100 pounds of calf would buy a ton of ammonium nitrate and it is now—now it would take 1,200 pounds to buy that same ton of fertilizer.

Mr. LEGGETT. I am sure it would. Ammonium nitrate in my area is about $195 a ton.

Senator ALLEN. The point I am trying to make is that if it costs 52 to 53 cents last year, with the prices already escalated, it would run considerably more than that today.

Mr. LEGGETT. I think that is correct.

Senator ALLEN. To make the 1975 crop.

Mr. LEGGETT. And I do not believe any price you are going to set that you can get through will get us high enough to plant the cotton as in 1974. I do not believe it is possible.

Senator ALLEN. Thank you.

The CHAIRMAN. Any questions, Senator Clark.

Senator CLARK. No questions.

Senator BELLMON. Mr. Chairman, May I ask——

The CHAIRMAN. Certainly, Senator Bellmon.

Senator BELLMON. You have obviously not made much money in cotton this year.

Mr. LEGGETT. That is pretty obvious.

Senator BELLMON. Are you going to plant any next year?

Mr. LEGGETT. Yes, sir.

Senator BELLMON. Same amount?

Mr. LEGGETT. No, sir. I will plant somewhat less than I planted last year. We are in a unique situation. We need cotton for a rotation crop with peanuts, very badly. We could substitute corn but if we look at the corn situation we are not much better off.

Senator BELLMON. That was going to be my point. In our country people are shifting out of cotton into wheat and we are going to have the same problem in wheat that we had in cotton and if you go to corn it will cause the same problem.

Mr. LEGGETT. I think that is right. We cannot go to soybeans on our land. We will have an increase in soybeans but it will come from cotton and corn planted beyond it——

Senator YOUNG. What other crops do you raise besides cotton?

Mr. LEGGETT. Tobacco, peanuts, corn, soybeans, and some wheat.

Senator YOUNG. You are about like some of our farmers. Wheat has paid for their cattle operations.

Mr. LEGGETT. We do not grow very much wheat. We grow very, very little.

Senator YOUNG. Similar to our area though—some of the other crops tend to help keep you going.

Mr. LEGGETT. Yes, tobacco and peanuts primarily.

The CHAIRMAN. Thank you very much. We appreciate your contribution, Mr. Leggett.

[The prepared statement of Mr. Denton follows:]

STATEMENT OF CHAUNCEY L. DENTON, JR., PRESIDENT, NATIONAL COTTON COUNCIL OF AMERICA, TYRONZA, ARK.

Mr. Chairman. We testified before this Committee two years ago when the Agriculture and Consumer Protection Act of 1973 was being considered. Our position at that time was that the market-oriented approach of the 1970 Act be continued with some relatively minor modifications. Much of what was embodied in the Act of 1973 received our full support. Some sections, of course, were disappointing. Among our recommendations included in the 1973 Act were:

A loan related to three-year average market prices.

Payments that were expected to help cover production costs and a reasonable return when the market failed in this respect.

A minimum base allotment.

A boll weevil eradication program.

The 1973 Act was contrary to our recommendations in some respects, such as the $20,000 payment limitation and continuing to base the loan on M-1" rather than SLM 1 1/16", which is the base quality for spot and futures quotations.

While there are many features of the 1973 Act that the cotton industry likes, under present conditions it is not working well for cotton. Our recommendations will be for needed adjustments in the 1973 Act which will permit its market-oriented approach to work in a way that will lead toward greater stability and continuity of operations.

Almost as soon as the 1973 Act became law, unforeseen events began occurring that crippled its usefulness for cotton. Inflation and the increase in the federal minimum wage had already begun to have greater effect on farm costs. On top of this, the Arab oil embargo sent fuel and farm chemical prices sky-rocketing. In addition, the Economic Stabilization Program was beginning to interfere with production, causing shortages of various products and thus fueling further inflation.

The resulting sharply higher production cost is the main reason that the Act of 1973 is not working well for cotton.

The average cost of producing cotton, as determined by USDA, rose sharply from 32½ cents per pound in 1972 to more than 50 cents in 1974. We recognize, of course, that the extremely poor 1974 yields in some regions made 1974 costs abnormally high. But even if average yields had been attained all across the Cotton Belt, the cost per pound would have averaged about 43 cents. Inflation has not yet beeen checked, so even under conditions of normal yield it would be reasonable to expect 1975 costs to be above 43 cents.

A target price well below the average cost of production obviously renders the law's payment provision almost meaningless. We should say at this point that regardless of the target price level, the $20,000 limit has an extremely serious impact on many cotton growers who produce a very large part of the U.S. crop. But to those not subject to limitations, the payment provision is a vital aspect of the cotton program, needed to provide the incentive to grow the cotton requirements of our domestic mills and export customers.

The growers who are affected by payment limitations have mainly the expected market price as an incentive to grow cotton, and for *all* growers this is the only incentive to plant more than the base allotment. The loan provision of the 1973 Act, therefore, is highly important as an indicator of the *minimum* market price.

The 1974 loan level of 27.06¢ for SLM 1 1/16" has little meaning when the cost is in the mid-forties. Almost no producer can cover out-of-pocket expenses by putting cotton in the loan. And when the USDA announces, as it did in 1973 and 1974, that even this low level may be lowered still further just before harvest, the production incentive coming from the law is completely nullified.

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Mr. Chairman, we have great difficulty believing that the Congress intended the kind of interpretation USDA has made of the loan provision of the 1973 Act. It seems to us that the law clearly states that the loan rate is to be made final by November 1 prior to the planting of the crop. When this is not done, planning is made much more difficult, and private production financing cannot be secured by the loan, as has been a common practice in the past.

Just as U.S. cotton production costs have been affected by inflation and higher crude oil prices, so have the costs of the fibers with which our cotton competes. This is reflected in the price increases for man-made fibers that have occurred in the last year or two. Polyester staple prices, for example, are averaging about 49¢ today, compared with the low or middle thirties a couple of years ago; and rayon staple has moved up even more to around 56¢. Some man-made fiber companies are stating publicly that they expect higher prices later this year.

Foreign cotton growers have costs more and more similar to ours. This is indicated by the reduced plantings in Southern Hemisphere countries last summer and fall in response to cotton prices that were declining, but which at that time were still substantially higher than at present.

Thus, there is solid evidence that cotton prices at present levels are well below what is required to meet competition from man-made fibers and also well below the general price range that would encourage foreign cotton production.

Beyond this, cotton prices apparently are too low to compete effectively with other crops for land and other production resources in many areas of our own country. At the same time that cotton production costs were rising rapidly and prices were declining, the prices of alternative crops were moving up sharply because of weather problems last year and the rising demand for food and feed crops. As a result, growers indicated in January that they intended to cut back 1975 cotton acreage 32% from last year to a level which is even below the national allotment.

In addition to the more attractive prices of alternative crops, a number of other factors are discouraging the planting of cotton and creating a very negative environment for a market-oriented government cotton program:

Use of DDT has been banned, and other essential pesticides threatened.

Overly stringent regulations concerning worker safety, the handling of petroleum products and the application of pesticides have been imposed or proposed.

Research and market development funds authorized by the 1973 Act have been severely reduced.

Because of extreme cotton price fluctuation, some sales contracts have been broken and fulfillment of many others threatened.

Export controls are frequently proposed by some members of the Congress and other persons of national prominence.

Disaster payments authorized by the 1973 Act have been denied or greatly reduced in many cases by USDA regulations that serve to nullify payments in many hard pressed areas. USDA has promised to act on changes we suggested, and we are hopeful that a meaningful program will result very soon, since planting of the 1975 crop has already begun in South Texas.

The Federal Power Commission and some local distributors have refused to give nitrogen fertilizer manufacturers a higher priority for natural gas, accentuating the fertilizer shortage and resulting in higher prices.

Federal regulatory requirements intended to protect textile workers from byssinosis and consumers from flammable textiles have already cost cotton substantial chunks of its market and threaten a far larger part.

The cumulative result of all these discouraging factors is to reduce greatly the incentive for growing cotton, making it entirely possible that the 1975 and some future crops could be enough smaller than market requirements to place us again at a serious competitive disadvantage.

We recognize that the main reason for today's low cotton price is economic recession all over the world. One result has been that export contracts for about a million bales sold to several Far Eastern countries have thus far not been honored, and the uncertainty as to whether this cotton will be shipped is seriously depressing prices. But this fact doesn't help the producer. Recessions will continue to occur from time to time. Mother Nature sometimes smiles rather broadly at us, producing unusually large cotton crops here or abroad, and this can temporarily drop prices very low. She also frowns at us—several times recently—and we have had very poor crops. One of the basic purposes of a government cotton program is to help smooth out to some degree the extremely

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wide price fluctuations that can result from these temporary forces that are beyond control. Without it, we tend to get overreaction that results in too little or too much production. Our recommendations are pointed toward making the Agriculture and Consumer Protection Act of 1973 meet this basic purpose more effectively.

Some comments and interpretations concerning our recommendations are in order. The heart of the present government cotton program is the price support loan and the target price. As we mentioned earlier, tremendous production cost increases have been imposed by inflation and energy prices, both on cotton growers and their competitors. Target prices and loan levels that were adequate when the 1973 Act was passed are no longer adequate.

While our recommendations do not specify a figure, Mr. Chairman, one possible procedure for arriving at a more realistic target price has occurred to a number of our people. When the 38¢ target price was established in 1973, we were working with an average production cost of 32½¢. Perhaps a similar relationship between production cost and target price might be maintained, based on 1974 cost of 43¢ per pound if yields had been more normal.

You may wonder about the meaning of our recommendation that increases in the Prices Paid Index during 1974 be included in target price calculations. This represents a bare minimum increase, Mr. Chairman. Certainly the extremely large price increases of 1974 at the very least ought to be reflected in the target price adjustment, effective for 1975.

One of our recommendations points out that payment limitations create serious inequities among producers and asks that the program minimize those inequities to the greatest extent possible. This would be accomplished by keeping the market price from dropping too great a distance below the target price.

In our recommendation concerning the loan, Mr. Chairman, we recognize that the four criteria we present tend, to some extent, to pull in different directions. For example, a loan level that fully assured adequate U.S. production might unduly encourage an increase in foreign production. But this is the kind of tension that always exists when pricing decisions are made. Every businessman wants to price his product high enough to make a profit, but he recognizes that his profit also depends on doing a satisfactory volume of business. Therefore, his price has to be low enough to compete for the volume he needs. The cotton industry finds itself in just this position.

We recognize, too, Mr. Chairman, that because of unusually good yields or temporary economic problems, prices can fall far below normal competitive requirements. The loan level should be such that growers can pay off a substantial part of their production credit from the proceeds of the loan and avoid dumping cotton on the market when prices are unduly depressed.

On the matter of forward contracting, Mr. Chairman, our industry has worked hard to facilitate this relatively new marketing practice. A Council committee has developed a model contract, and is still working on its improvement. But the committee has found no practical way to assure performance by the parties to contracts.

Therefore, we supported in the last Congress a bill by Senator Bellmon that would have required USDA to encourage private insurance companies to form an association for that purpose, with the government covering a portion of extraordinary losses in the early years. We hope this Committee will see fit to move on this bill again.

Many growers were hard hit by unfavorable weather last year and have been unable to pay off production loans. For them, additional credit to farm in 1975 is simply unavailable from private sources. Senators Eastland, Stennis, Dole, Allen, and Young have offered S. 555, which would give such people greater access to Farmers Home Administration loans. We hope that this bill will receive favorable consideration.

NATIONAL COTTON COUNCIL RECOMMENDATIONS, ADOPTED UNANIMOUSLY AT ITS 37TH ANNUAL MEETING, PHOENIX, ARIZ., FEBRUARY 4, 1975

That the National Cotton Council:

1. Work for unrestricted sales of U.S. raw upland cotton in world markets;
2. Recognize that the current target price level is less than adequate to insure a profitable return to a significant number of cotton producers and should be raised to a level that will insure an adequate supply of cotton to maintain a viable U.S. cotton industry;

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3. Recommend that the target price calculations of the 1973 law include increases in the index of prices paid by farmers for production items, interest, taxes, and wage rates during the calendar year 1974;

4. Favor a long-range government cotton program which will:

a. Protect net farm income;

b. Assure dependable supplies of American cotton at more stable and competitive prices, fully adequate to meet the needs of our customers both here and abroad;

c. Maintain the competitive one-price system;

d. Recognize that a farmer's benefits from a price support or payment program should not be limited; and support and work for those farm program provisions and administration policies which will to the greatest extent possible minimize the inherent inequities of payment limitations, because limitations on program payments at any level create serious inequities between regions and between individual growers within regions and such inequities are highly detrimental to the industry and to all cotton producers regardless of size or location;

e. Recognize that payments under the Disaster Section of the 1973 Act should not be subjected to payment limitations;

f. Authorize the transfer of allotments among farms within a state by sale or lease;

g. Allow release of farm allotments for reapportionment by county ASC committees in order to preserve allotment history;

h. Provide for the determination of farm yields for payment purposes based on a moving three-year average for the farm, adjusted for abnormal conditions beyond the control of the farm operator;

i. Provide for the protection of individual farm cotton allotment history only through the planting of cotton, the release or transfer of the allotment, or other provisions of the present law;

5. Work for a Commodity Credit Corporation program to:

a. Strengthen, to the greatest extent possible, industry advice and participation in the administration of the cotton loan program and management of CCC stocks;

b. Provide for a more realistic loan program which will (1) promote the orderly marketing of cotton, (2) assist in crop financing, (3) assure adequate U.S. production at competitive prices, and (4) not unduly encourage an increase in foreign production;

c. Improve data and procedure under which the loan rate is calculated;

d. Determine and announce as final a loan level by November 1 of the calendar year preceding the marketing year for which the loan is to be effective;

e. Establish CCC interest rates which will not be at a level that will discourage use of the loan by producers;

6. Recognizing that forward crop contracting has become a significant marketing practice, continue to work to find solutions to the problems of contract performance by both buyer and seller;

7. Develop a program under which, with government assistance farmers, buyers and exporters would be insured or protected against default by parties to crop or sales contracts.

8. Support appropriations for the Farmers Home Administration and efforts to broaden its lending authority in order to alleviate growers' credit problems;

The CHAIRMAN. The next witness is Mr. Frank Mitchener, chairman of the executive committee, and B. F. Smith, executive vice president, Delta Council, Stoneville, Miss.

STATEMENT OF FRANK MITCHENER, CHAIRMAN, EXECUTIVE COMMITTEE, DELTA COUNCIL, STONEVILLE, MISS.

The CHAIRMAN. Delighted to have you back before our committee, sir. I remember my visit down there very pleasantly 2 years ago.

Mr. MITCHENER. Hope you come back.

The CHAIRMAN. Thank you. You may insert your statement in full in the record and summarize it.

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Mr. MITCHENER. I would like to say I am appearing in place of Mr. Henry Self, President of the Delta Council, who could not be here because he had a death in the family. That is why I am here.

An adequate supply of cotton is of basic importance to all segments of the cotton industry; however, the current cotton program cannot work successfully except under a condition of "short supply." A scarcity, or the threat of a scarcity, is necessary to stimulate prices to levels that will reasonably compensate cotton farmers. This contributes to a "roller-coaster" condition of high prices and tight supply which causes a loss of markets, followed by a period of more adequate supply and depressed prices. On each occasion, cotton markets are seriously eroded.

Under these chaotic conditions, textile manufacturers are reluctant to buy cotton and turn more and more toward fibers that offer more stability in supply and price. Neither textile manufacturers nor cotton shippers, under current high interest rates, are willing or able to carry more than minimum inventories. This raises the question of who will finance the carryover that is needed? Unless some way is found to carry adequate stocks, even a modest carryover will depress prices severely. While the problems of the cotton industry must be dealt with on a multifront basis including cost reductions and aggressive promotion, unless we solve the basic problems of supply and price instability, we will continue to lose markets.

In moving to meet this problem, careful consideration should be given to modifying certain provisions of the current law to provide for more stability in supply and price while maintaining a market-oriented cotton industry. We believe that this can be accomplished.

Throughout most of its long history, the CCC loan has provided very useful functions with little cost to the Government. It has served as an orderly marketing tool, provided a mechanism through which adequate supplies could be carried at reasonable costs, and has aided farmers in obtaining production credit. On occasions, the loan has been set at too high a level. However on balance, the CCC loan program has contributed materially to stability of both price and supply.

Legislative changes in 1970 and 1973 moved away from the concept of the loan as an orderly marketing tool. An extremely low loan and even a low market price were not so disruptive so long as payments were unlimited or were even limited to $55,000. Low-level payment limitations and a target price that falls below production costs coupled with a low loan and high CCC interest rates however, forces many farmers to take whatever price is available when they harvest their crops. Market prices tend to be favorable when demand outruns supply. When the reverse is true and production costs are skyrocketing, results can be devastating to producers and eventually to the entire cotton industry.

As a step toward solving this problem, it is proposed that the law be amended to provide cotton farmers with an 18-month nonrecourse loan that can function effectively as both an orderly marketing tool and as a mechanism for carrying needed stocks. Sales out of the loan during this period could only be made by the producer. The interest rate for CCC loans should be at a level that would encourage farmers to use the loan in orderly marketing. The level of the loan should not be high enough to guarantee a profit to the producer but should be high enough to promote orderly marketing and assist producers in

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obtaining needed production financing. If in the future, the CCC should accumulate an inventory of cotton, sales from CCC stocks should be made in a manner that would not depress the price of cotton held by the farmer.

A program of this kind could be provided with minimum changes in the law. If administered effectively, such a program would tend to stabilize supply and price. Cotton farmers would still have to look to the market for a profit but would not be forced to dump their crop on a depressed market. They could put a portion of their cotton in the loan and market it in an orderly and effective manner. Textile mills could depend upon an adequate supply of desired qualities and could make long-range plans with the assurance that raw materials would be available at relatively competitive prices.

Mr. Chairman, we specifically recommend:

One. A target price for cotton that reflects inflation and the sharp increases in production costs with escalator provisions that include increases in costs incurred in 1974. We agree with you that your suggestion for a 50-cent target price is realistic;

Two. A CCC loan level for upland cotton that is more realistically related to the cost of production. We wish to emphasize the fact that the level of the loan should not be high enough to guarantee a profit since such a level could cause farmers to produce for the loan and contribute to a surplus. We believe that a CCC loan for upland cotton of 40 cents per pound would accomplish the desired objectives without contributing to the accumulation of surplus supplies;

Three. The revision of CCC regulations to provide producers the opportunity to maintain cotton in the loan for an additional 8-month period. Current law already provides for extended loans and it is used frequently for grains. We urge that this extension be specifically provided as an option to the cotton farmer.

Fourth. Interest rates on CCC loans that will encourage farmers to use the loan for orderly marketing. The interest rates on CCC loans were increased twice in 1974, from 5½ percent to 7¼ percent and then to 9.375 percent. High interest rates will greatly limit the value of the loan as an orderly marketing tool.

I have inserted a record of loans over the past several years in my prepared statement.*

Fifth. That the final loan rate be announced prior to November 1 of the year preceding the marketing year for which the loan is effective. A loan that can be adjusted downward until August of the following year when the new crop is almost ready to harvest has little value as an orderly marketing tool or as an aid in crop financing. While we believe current law is clear with respect to this matter, the USDA interpretation provides for the announcement of a preliminary loan prior to November 1 with the stated intention of reducing the loan if conditions warrant;

Sixth. Changes in the Farmers Home Administration disaster assistance programs to make these programs more responsive to the needs of farmers who suffer crop disasters. A bill to assist farmers suffering disasters in obtaining needed production credit has recently been introduced in the Senate by Senators Eastland, Stennis, Dole, Allen, and Young. We wish to strongly endorse this bill and urge that the

*See p. 607.

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Senate Agriculture and Forestry Committee give this matter priority attention. Farmers throughout the Lower Mississippi Valley and in other portions of the Nation suffered major disasters in 1973 and in 1974 and many farmers are unable to obtain production credit for 1975.

The CHAIRMAN. Do you farm?

Mr. MITCHENER. Yes; I sure do.

The CHAIRMAN. How many bales of cotton did you produce last year?

Mr. MITCHENER. About 7,000.

The CHAIRMAN. And the cost per pound to produce it?

Mr. MITCHENER. Well, I would rather tell you what it costs us per acre because we were fortunate to make a fairly good yield. It cost us about $240 an acre and we——

The CHAIRMAN. What was your average yield?

Mr. MITCHENER. About 575 pounds.

The CHAIRMAN. So Senator Stennis' estimate this morning about the cost in the delta area which is the most efficient production in the State of Mississippi, I assume, 46, 47, 48 cents a pound, is reasonable.

Mr. MITCHENER. Yes, sir. We had bought a lot of supplies in 1973 because we anticipated that they were going up and we did make a good crop in 1973. We therefore had some capital that we could invest and we invested it in supplies for 1974. Our individual costs were somewhat less than they would otherwise have been.

The CHAIRMAN. Do you think the committee ought to stick to the target price concept?

Mr. MITCHENER. Yes, I do.

The CHAIRMAN. You heard Mr. Leggett's testimony a moment ago in which he stated that he thought that we ought to have target price at or about the cost of production.

Mr. MITCHENER. Yes, sir.

The CHAIRMAN. And the loan level of about 80 percent of the cost of production. Would you concur with that recommendation?

Mr. MITCHENER. Yes, sir. We think that the target price should be around 50 cents and the loan price about 40 cents which would be that same relationship.

The CHAIRMAN. Any further questions?

Senator Bellmon.

Senator BELLMON. Mr. Chairman, there is one thing that troubles me about figuring these costs. When you figure that price of 200, whatever it was an acre, what was the——

Mr. MITCHENER. $240 an acre.

Senator BELLMON. You figured that based on what you paid for your machinery, I suppose.

Mr. MITCHENER. Yes, sir. This includes everything. The cost of machinery is in depreciation.

Senator BELLMON. But if you went to buy that same machine now it might cost you 40 percent more.

Mr. MITCHENER. Yes, sir.

Senator BELLMON. When you are figuring cost you ought to figure on replacement cost of equipment, not what you paid for it 5 or 10 years ago.

Mr. MITCHENER. Perhaps so, but we do figure depreciation in that cost.

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Senator BELLMON. But depreciation based on what the machinery——

Mr. MITCHENER. What it cost originally, yes, sir.

Senator BELLMON. If you were to make an estimate how much more would that machinery cost you now than you have it on your books for?

Mr. MITCHENER. I would think at least twice as much because a lot of it was purchased 5 or 6 years ago.

Senator BELLMON. This is where I think we ought to be careful. When these farmers are giving us their costs they are using figures that are not realistic.

The CHAIRMAN. I think that is true of all industry today. Some of the depreciation schedule is not realistic because it is predicated on a cost basis and not present prices.

Senator Allen.

Senator ALLEN. One thought occurred to me. You spoke of having capital that you invested in supplies in your cost of production. Did you figure a theoretical interest rate on that?

Mr. MITCHENER. No, sir. We did not. We should have.

Senator ALLEN. The average farmer, of course has to borrow money to cover what you had money enough to buy.

Mr. MITCHENER. Yes, sir. That is why I think when you asked me my cost, perhaps I should say that there has been some work done at the Delta Branch experiment station and they are figuring that for 1975, and, of course, they are projecting what supplies might cost, and interest, they are talking about $270 an acre. Now, that includes ginning, so if you consider——

STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT, DELTA COUNCIL, STONEVILLE, MISS.

Mr. SMITH. It does not include land rent.

Mr. MITCHENER. It does not include land rents or management. If you want to put $50 an acre, 220 plus land rents plus management.

Senator ALLEN. It would be an increase in cost of at least 10 percent.

Mr. MITCHENER. More than that. If you are not counting ginning it would run it up to 280, 290 an acre because land rents are coming down a little bit, I do believe.

The CHAIRMAN. Any further questions?

Senator YOUNG. How much is the cash rent for land in our area.

Mr. MITCHENER. Let me say first, that for the first time since I have been farming, which is about 13 years, we see land begging for rental. So it is in kind of a state of flux right now. I would say a typical cash rent in the Mississippi Delta is about $40 an acre.

The CHAIRMAN. That is assuming you have gotten a cotton allotment on it.

Mr. MITCHENER. Yes, sir, that is right.

The CHAIRMAN. What would it rent for if you had no allotment for it?

Mr. MITCHENER. I would say $30 to $35 an acre.

The CHAIRMAN. What would you grow on it, soybeans?

Mr. MITCHENER. Yes, sir, but you see, we can grow cotton there without an allotment and I do not know that anybody would want to in 1975.

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Senator BELLMON. If you rent on shares, what share does the landowner get?

Mr. MITCHENER. Traditionally, a fourth. But I saw a contract the other day that called for a fifth. And this again may be unrealistic because as the gross income goes up, because some prices are higher, the cost of producing that crop is rising much faster than the gross income, so that share rents—may not be any longer realistic.

Maybe I did not make myself clear. I think that as gross income goes up, the cost goes up, of course, as you substitute higher gross crops. But if you take the chance of producing higher gross crops, then the risk is much greater because it takes a much greater capital investment. The income of the landlord goes up but the net income of the farmer does not necessarily go up. So his tendency then is to produce crops, such as soybeans, that require less capital investment.

Mr. SMITH. Mr. Chairman, may I add one word? I want to reinforce and stress this item No. 6 in regard to the urgency of the need for emergency credit. Throughout the Lower Mississippi Valley, and perhaps other areas, we had a major disaster, natural disaster, in 1974. We had some isolated places where yields were more nearly normal, but we had 42 inches of rain during the first 6 months of the year. We had most unusual fall weather. In September, we did not get even enough solar radiation, because of thick cloud cover and cool weather, to carry on photosynthesis. Consequently, yields were devastatingly low.

We have a good many renters in our area. These people have an equity in equipment only. They did not pay out. They have no source of production credit and the laws have been changed in regard to the Farmers Home Administration. They are not like they were a number of years ago. These people are desperate and do not know where to turn. The banks and the PCA's are still carrying them. I have banks call me quite often and ask "how long can we continue to let these people hold their cotton"? The cotton will not bring enough to pay off the loans and they have not sold it because they are hoping for a little increase in price. We hope that something can be done soon to help solve this problem.

The CHAIRMAN. Thank you very much, gentlemen.

Senator BELLMON. Mr. Chairman, one more question.

Mr. MITCHENER. I notice you made a statement opposing Government-owned reserves of food.

Mr. MITCHENER. We would prefer to see those commodities held in the farmers' hands.

Senator BELLMON. Why?

Mr. MITCHENER. Well, we feel that the farmer can market it at his own discretion in a more orderly manner.

Senator BELLMON. Are you concerned that if the Government owned the reserves of food that those reserves might be used to hammer the market down?

Mr. MITCHENER. Yes, sir.

Senator BELLMON. Or keep it from rising?

Mr. MITCHENER. Yes, sir.

Senator BELLMON. Do you have any idea how such a reserve could be set up and insulated from those kinds of political pressures?

Mr. SMITH. We are afraid of Government-owned stocks because of just the things that you said. Somebody has to sell them and they

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will be sold, if you are not careful, in a way that will be market disruptive.

We believe that instead of Government stockpiles, we ought to turn our attention in national policy toward maintaining adequate inventories. We think that the American people have a right to expect adequate inventories of all our crops.

And if we can go back to the original purpose of the CCC loan, with reasonable price supports, and let the loan carry the inventories, the period of the loan needs to be extended. We also need to have the CCC interest rates at a lower rate. These stocks would be readily available for domestic and export sale at any time and they would not be a disruptive market factor as would be the case if you had a strategic Government-owned supply, such a supply would be a weight on the market.

Senator BELLMON. So what you are saying is that if we will set a realistic loan level and realistic target price that the producers will grow as much as the market will consume and if we have a realistic loan price the producers will market those commodities as the demand——

Mr. SMITH. That is exactly what I am saying. We think it is much more desirable.

Senator BELLMON. And that in effect is a food reserve.

Mr. SMITH. An adequate inventory would accomplish the same thing as a reserve but more efficiently. This will also remove all the need for export controls, Senator, export licenses, and any of these devices that could be market disruptive. Right now, because of the export controls that were placed on soybeans recently and, when was it, 2 years ago, with Japan, production in South America of additional soybeans has been spurred. Our exporters have to get permission for sales over a certain amount. Stamped on their permit is a phrase stating that this approval is subject to change, this is a disruptive factor in world markets.

The CHAIRMAN. Thank you very much, gentlemen. You have made a great contribution to our deliberations.

Mr. MITCHENER. Thank you, sir.

[The prepared statement of Mr. Henry C. Self, given by Mr. Mitchener follows:]

STATEMENT OF HENRY C. SELF, PREISDENT, DELTA COUNCIL, STONEVILLE, MISS.

Mr. Chairman and Members of the Committee: My name is Henry C. Self. I am a farmer from Quitman County, Mississippi, and am president of Delta Council, an organization representing the 18 Delta and part-Delta counties of Mississippi. Our area is largely dependent upon agriculture for a livelihood and our principal crops are cotton, soybeans and rice.

Reference is made to your letter of October 18, 1974, to Delta Council with which you enclosed a copy of the excellent statement that you made on the Floor of the Senate on September 23, 1974, along with a copy of S. 2005. You also called for a national dialog on the need for an effective national food, feed and fiber policy. We wish to commend your statement and we welcome this opportunity.

Since cotton is of major importance to our area and to the Nation, most of our remarks will deal with needed changes in the cotton program. Also, we would like to comment on government-held crop reserves, export controls, rice and on the need for revisions in Farmers Home Administration programs to make them more responsive to the needs of farmers who experience natural disasters.

Delta Council has been working continously with other cotton-producer organizations and through the Cotton Producer Steering Committee of the National Cotton Council of America toward the development of recommendations

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to provide needed changes in the cotton program. We wish to endorse the statements presented by the National Cotton Council and by the Producer Steering Committee.

An adequate supply of cotton is of basic importance to all segments of the cotton industry; however, the current cotton program cannot work successfully except under a condition of "short supply." A scarcity, or the threat of a scarcity, is necessary to stimulate prices to levels that will reasonably compensate cotton farmers. This contributes to a "roller-coaster" condition of high prices and tight supply which causes a loss of markets, followed by a period of more adequate supply and depressed prices. On each occasion, cotton markets are seriously eroded.

Under these chaotic conditions, textile manufacturers are reluctant to buy cotton and turn more and more toward fibers that offer more stability in supply and price. Neither textile manufacturers nor cotton shippers, under current high interest rates, are willing or able to carry more than minimum inventories. This raises the question of who will finance the carryover that is needed? Unless some way is found to carry adequate stocks, even a modest carryover will depress prices severely. While the problems of the cotton industry must be dealt with on a multifront basis including reductions and aggressive promotion, unless we solve the basic problems of supply and price instability, we will continue to lose markets.

In moving to meet this problem, careful consideration should be given to modifying certain provisions of the current law to provide for more stability in supply and price while maintaining a "market-oriented" cotton industry. We believe that this can be accomplished.

Throughout most of its long history, the CCC loan has provided very useful functions with little cost to the Government. It has served as an orderly marketing tool; provided a mechanism through which adequate supplies could be carried at reasonable costs; and has aided farmers in obtaining production credit. On occasions, the loan has been set at too high a level; however, on balance, the CCC loan program has contributed materially to stability of both price and supply.

Legislative changes in 1970 and 1973 moved away from the concept of the loan as an orderly marketing tool. An extremely low loan and even a low market price were not so disruptive so long as payments were unlimited or were even limited to $55,000. Low-level payment limitations and a target price that falls below production costs coupled with a low loan and high CCC interest rates, however, forces many farmers to take whatever price is available when they harvest their crops. Market prices tend to be favorable when demand outruns supply. When the reverse is true and production costs are skyrocketing, results can be devastating to producers and eventually to the entire cotton industry.

As a step toward solving this problem, it is proposed that the law be amended to provide cotton farmers with an 18-month nonrecourse loan that can function effectively as both an orderly marketing tool and as a mechanism for carrying needed stocks. Sales out of the loan during this period could only be made by the producer. The interest rate for CCC loans should be at a level that would encourage farmers to use the loan in orderly marketing. The level of the loan should not be high enough to guarantee a profit to the producer but should be high enough to promote orderly marketing and assist producers in obtaining needed production financing. If, in the future, the CCC should accumulate an inventory of cotton, sales from CCC stocks should be made in a manner that would not depress the price of cotton held by the farmer.

A program of this kind could be provided with minimum changes in the law. If administered effectively, such a program would tend to stabilize supply and price. Cotton farmers would still have to look to the market for a profit but would not be forced to dump their crop on a depressed market. They could put a portion of their cotton in the loan and market it in an orderly and effective manner. Textile mills could depend upon an adequate supply of desired qualities and could make long-range plans with the assurance that raw materials would be available at relatively competitive prices.

Mr. Chairman, we specifically recommend:

1. A target price for cotton that reflects inflation and the sharp increases in production costs with escalator provisions that include increases in costs incurred in 1974.
2. A CCC loan level for upland cotton that is more realistically related to the cost of production. We wish to emphasize the fact that the level of the loan should not be high enough to *guarantee a profit* since such a level could cause farmers to "produce for the loan" and contribute to a surplus. We believe that a CCC loan for upland cotton of 40 cents per pound would

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accomplish the desired objectives without contributing to the accumulation of surplus supplies.

3. The revision of CCC regulations to provide producers the opportunity to maintain cotton in the loan for an additional eight-month period. Current law already provides for extended loans and it is used frequently for grains. We urge that this extension be specifically provided as *an option* to the cotton farmer.

4. Interest rates on CCC loans that will encourage farmers to use the loan for orderly marketing. The interest rates on CCC loans were increased twice in 1974, from 5½ percent to 7¼ percent and then to 9.375 percent. High interest rates will greatly limit the value of the loan as an orderly marketing tool.

Here is the history of CCC loan interest rates.

Effective dates or crop years:	Rate (percent)
October 1933 to October1939	4
November 1939 to December 1940	3
1941 to 1951	3
1952	3. 5
1953	4
1954 to 1972	3. 5
1973	5. 5
1974—Sept. 30, 1974	7. 25
1974—Oct. 1, 1974	9. 375

5. That the final loan rate be announced prior to November 1 of the year preceding the marketing year for which the loan is effective. A loan that can be adjusted downward until August of the following year when the new crop is almost ready to harvest has little value as an orderly marketing tool or as an aid in crop financing. While we believe current law is clear with respect to this matter, the USDA interpretation provides for the announcement of a "preliminary loan" prior to November 1 with the stated intention of reducing the loan if conditions warrant.

6. Changes in the Farmers Home Administration disaster assistance programs to make these programs more responsive to the needs of farmers who suffer crop disasters. A bill to assist farmers suffering disasters in obtaining needed production credit has recently been introduced in the Senate by Senators Eastland, Stennis, Dole, Allen and Young. We wish to strongly endorse this bill and urge that the Senate Agriculture and Forestry Committee give this matter priority attention. Farmers throughout the Lower Mississippi Valley and in other portions of the Nation suffered major disasters in 1973 and in 1974 and many farmers are unable to obtain production credit for 1975.

Mr. Chairman, on December 3, 1974, I presented a statement before the Subcommittee on Agricultural Production, Marketing and Stabilization of Prices of the Senate Agriculture and Forestry Committee, strongly endorsing the passage of a new rice program as provided in S. 4121. We pointed out that the current rice law is very restrictive and that rice is a highly nutritious and versatile food that is an important part of the diets of hundreds of millions of people throughout the world. Many of these people live in areas of the world where starvation is a grim fact of life. If the United States is to participate in a meaningful manner in a program to help prevent starvation and, at the same time, provide for our own needs, food crop production in this country must be sharply increased and plans must be developed to handle the production, marketing and distribution of these food supplies in an efficient manner. The existing acreage allotment and price support program for rice can only result in continued restrictions on rice growers with the possibility of limits on our export potentials to other nations. We believe the passage of S. 4121 or similar legislation would be in the best interest of all segments of our economy and would also remove any doubt about our country's commitment to participate to the best of our ability in meeting the world food crisis.

We are opposed to the concept of government-owned reserves of food, feed and fiber crops. At the same time, we believe that the American people have the right to expect a national agricultural policy that is actively oriented toward adequate supplies. A mixture of bad weather and oil economics could result in a major crisis unless safeguards are provided. We urgently need a policy aimed at making sure that the American people will have adequate supplies of food, feed and fiber even when disasters occur.

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Instead of government-owned stockpiles, which tend to disrupt markets, we respectfully recommend that national policy be directed toward *"maintaining adequate inventories."* Producer-owned and controlled inventories of needed commodities could be carried by the Commodity Credit Corporation and sold by producers for both domestic and export markets when market prices are favorable. The mechanisms for such a program are already in place. Needed would be a system of realistic loan levels, (including loans on soybeans) extended loans, interest rates and administrative procedures which would make it possible for farmers to fully utilize the potentials of the program for carrying inventories and orderly marketing. Instead of government ownership of commodities with the costs of storage paid by the government and the risks of releasing stockpiles in a manner that would disrupt markets, producers would retain title and decision-making with regard to commodity inventories. They would sell their products when they could make a profit. Producers would also pay reasonable interest rates and storage charges—thus minimizing government costs.

Also, a government policy that is positively oriented toward "adequate inventories" would do away with the need for any consideration of export controls, export licensing or any other device that could be used to restrict domestic and foreign trade. We believe that such measures are counterproductive.

We now export about one-third of our agricultural production and exports are of major importance to our balance-of-payments position as well as contributing to the welfare of people and nations throughout the world.

The record of U.S. exporters of farm products in international trade is an outstanding one. For example, U.S. cotton exporters delivered bale for bale on sales contracts from the 1973 crop even though prices had increased by approximately 150 percent. Now, approximately 1,300,000 bales of cotton from the 1973 crop are under contract abroad at prices considerably above current world prices for cotton.

We believe that it is fundamental for orderly trade in international markets that the sanctity of contracts be maintained regardless of whether the price changes from time to time go against either the seller and/or the buyer. Wholesale breaching of international sales contracts would be highly disruptive and would adversely affect the major role which exports of agricultural products play in the trade balance of the United States.

The productive capacity of U.S. agriculture is one of our greatest national assets and most important resources. Farmers, however, cannot sell their crops at below cost of production prices and stay in business. In order to produce needed supplies, U.S. farmers must be able to obtain production inputs, have access to production credit and have the opportunity to market their crops in an orderly and effective manner. The problems that we face are urgent and we hope that actions can be taken in time for the 1975 crop.

The CHAIRMAN. The next witness is Mr. P. R. Smith, Georgia Agricultural Commodity Commission for Cotton, Winder, Ga., and Mr. Frank C. Griffin, Waynesboro, Ga., both friends and valued constituents of mine, and for the information of the committee Mr. Smith is a member of the Board of Regents in the educational system in our State and also a relative of the late Senator Dick Russell.

Delighted to have you with us. You may insert your full statement in the record and summarize it if you desire to do so.

STATEMENT OF P. R. SMITH, CHAIRMAN, GEORGIA AGRICULTURAL COMMODITY COMMISSION FOR COTTON, WINDER, GA.

Mr. SMITH. Mr. Chairman, gentlemen of the committee, I am P. R. Smith of Winder, Ga. I have been in the cotton business throughout my adult life as a farmer, ginner, warehouseman, seed processor and dealer. I am presently serving as chairman of the Agricultural Commodity Commission for Cotton in Georgia which represents all the cottongrowers in our State.

Cotton is important to the economy of our State. Even though some of the less informed people think we are out of the cotton business, the farmers in Georgia grew 410,000 bales of cotton on

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410,000 acres in 1974. New wealth generated from the production of cotton stimulates more economic activity than the same amount of new wealth from any other enterprise in our State and area.

Prior to our present economic situation, the textile industry in Georgia provided more than 100,000 jobs and think of the countless thousands of other jobs that exist because of cotton production. They are on cotton farms; in cotton gins and warehouses; transportation, fertilizer, pesticide, and equipment manufacture and sales; financing; and wholesaling and retailing the many products manufactured from cotton. We must do what is necessary to save this important enterprise.

At the beginning of 1974 both the industry and the U.S. Department of Agriculture requested that cottongrowers throughout the country make a substantial increase in cotton production. Farmers responded to this request and in spite of extremely adverse weather conditions in some areas of the country a reasonable increase was achieved. During the effort to produce this crop farmers found themselves in the throes of the greatest inflationary period in many years and the cost of production skyrocketed. Many farmers thought they had arranged for adequate capital to produce their crop, and found it was necessary to arrange for 50 or even 60 percent additional capital to complete the crop. The cost of capital was extremely high and in many cases was difficult to arrange. There was a tremendous increase in the cost of equipment, pesticides and fertilizer on a month-to-month basis. Fuel to operate equipment was scarce and high. In the final analysis it cost our growers about 60 percent more to produce the 1974 cotton crop than it did to produce cotton at the time the target price of 38 cents and a loan of 27 cents was established. With the prospective shortage of fertilizers and other chemicals, the assurance of increased fuel cost, and labor cost continually going up, it is a foregone conclusion that the cost of producing the 1975 cotton crop will be substantially greater than producing the 1974 crop. Cottongrowers have a tremendous loss in the 1974 crop and cannot take the chance of experiencing the same thing with the 1975 crop.

Cotton production in our State is now in the hands of people who are in the business of growing cotton. Cotton production requires special equipment for growing and harvesting a crop and it cannot be used in other enterprises. This equipment is expensive. A cottonpicker in 1974 was approximately $32,000 and as I understand, will be in the neighborhood of $40,000 in 1975. Many of these people are presently standing at the crossroads of going out of business and going broke, or having a farm program that will give them some protection from the bottom falling out of the price on one hand, and the cost of production skyrocketing on the other, both of which happened to them in 1974.

Farming is no longer just a way of life. Farmers are businessmen with a tremendous amount of capital invested. They must make a reasonable profit or just like any other businessman, they will go broke. Our cottongrowers must have some protection to assure them that they can stay in business. Gentlemen, we are here to plead with you to initiate the kind of legislation that will provide this protection. In our opinion it will require a target price at a minimum of 52 cents per pound with the cost escalation provisions to apply to the 1975 crop. Our experience in 1974 is evidence enough that even 1 year

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without some protection from increasing cost of production can be almost catastrophic.

In order to protect and maintain the cotton enterprise in Georgia's economy, we feel that it is very important that the provisions for releasing and reapportioning cotton allotments be continued just as they are in our present program.

This provides a farmer with an allotment the choice of whether or not to grow cotton in a given year, and yet continue to have the allotment on his farm. Also releasing and reapportioning allotments within the State makes it possible for growers who want to plant in excess of the allotment for their farm, to protect their total planted acreage with reapportioned allotments. We feel that reapportioning cotton allotments should continue to be restricted to State lines.

One other phase of the legislation that we are deeply interested in is the level at which the loan rate is set. We do not want a loan at a rate that would make it profitable for farmers to grow cotton and create a great surplus, but rather a loan rate that would give some protection and some assurance that they could stay in business. Also a realistic loan would have a tremendous effect on creating and maintaining an orderly marketing procedure, thus helping to avoid the extreme highs and lows such as we have experienced in the past 18 months. To do this, in our opinion, would require a loan rate of 43 to 45 cents.

Gentlemen, I appreciate the opportunity to appear before you and express to you the concern of the cottongrowers of our State. We hope you will give careful consideration to our requests and that they may warrant your favorable action.

The CHAIRMAN. Mr. Griffin?

STATEMENT OF FRANK C. GRIFFIN, WAYNESBORO, GA.

Mr. GRIFFIN. Mr. Chairman and members of the U.S. Committee on Agriculture and Forestry, I am Frank C. Griffin of Rural Route 1, Waynesboro, Ga. I am a full-time farmer in Burke County, Ga., planting 1,330 acres of cotton, soybeans, and corn. My farm also has a small beef herd numbering 35 brood cows.

We row crop farmers are gravely concerned over the current and future status of cotton. In my county cotton is vital to the entire economic community.

Our Government asked us in 1974 to plant. "Plow up the hedge rows," they said. We farmers responded. Now it seems to be our own misdoings. At today's alarmingly high farm production costs we simply cannot overproduce and bring about cheaper farm commodity prices.

Too, we are unable to control our destiny in the same manner that large business is able to do. Each farmer is in direct competition with every other farmer who produces the same product. We cannot adjust to a rapidly declining market situation once we have planted. We are then committed to overproduce even if it means disaster. If we underproduce we all know this means rising prices and possible famine. We farmers have a moral obligation to produce the food and fiber America needs, but we must be protected from overproduction and natural disaster. Today this is so very true with cotton. The USDA turned us loose in 1974 with the crop. We planted and

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harvested far more than the market could absorb at a price that would provide a profit to most American cottongrowers, especially those in the Southeast.

Please allow me to give you my budget for producing cotton on my farm in 1975. I normally plant 300 acres of cotton. My average yield per acre for the past 2 years has been 762 pounds of lint; this places my production costs at 37 cents a pound as my enclosed budget will verify.

This does not include ginning costs or sale of cotton seed, since they both depend on the market situation during the harvest season. These costs are based on today's prices and dealers are already preparing us for future increases in prices of these input items.

Let me say here that in my county there are 25,000 acres of cotton planted. There are only 1,300 acres with a yield of 700 pounds of lint or more. The average producer is making about 530 pounds of lint to the acre which shows his cost, using my budget, at 54 cents a pound.

Currently, the target price of 38 cents per pound of lint is not only too low, but unavailable to growers who are being forced to sell at a loss or utilize a loan of only 25 cents a pound, less interest charges of over 9 percent, receiving and storage charges. Since loan instead of target price has become the floor under our cotton, we must have a more realistic loan price which better reflects today's accelerating production costs. A 52-cent minimum target price available to cotton growers, coupled with a reasonable loan price of 45 cents per pound, and this means since 99 percent of all cotton is picked with machinery, that this 45-cent-a-pound loan would only be 41 cents to me as a grower because our grade is lower than what you are basing this figure on, with a built-in escalation clause for higher production costs, would be far more realistic than what the current law provides.

Additionally, I strongly feel and know we must reduce the acreage of cotton grown until demand more nearly approaches supply. We cotton farmers cannot again expect the Federal Government to warehouse a large inventory of lint for us. It would seem far more judicious to restrict the acreage of cotton for 1975 and later years to that which the market can be expected to absorb plus an inventory for emergency purposes.

Senators, I care about this country. I want to produce for our hungry and poor. I want to produce for export and for the balance of trade. But I cannot produce food and fiber just for these purposes. I must realize some profit if I am to continue farming. Overproduction will quickly put me into bankruptcy. Perhaps more importantly, it will also put the economy of my county and State into a recession or even a depression, since both are so very dependent on the economy of agriculture.

There are those who want a free agricultural economy, and I count myself in that group. Today we are supposedly free in agriculture. But are we? A simple utterance by this esteemed committee or a ranking member of the committee concerning limiting the export of farm commodities would put commodity markets in a tailspin. Thus, my entire destiny as a farmer largely centers on the policies of the Federal Government—even though agriculture is supposedly free.

If the Congress sees fit to change the target price on cotton and other affected commodities, I know by hard experience that we must

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have some change in the conception of just what target price actually means. Today, I cannot go to my banker and borrow money to plant, plow, and pick the 1975 crop on the target price. He will talk only loan price with me. He is too uncertain about target prices; expecially for cotton. I urgently request that this committee recommend to the Congress that the months for determining target prices on cotton be changes to encompass the fall and winter months, the normal cotton marketing season. I know of no farmer who benefitted from the target price in 1974 (38 cents per pound) even though most southeastern cotton growers have found market prices for their lint much below this price of 38 cents per pound. I also urge you to consider restricting the target price to a maximum percentage of total farm cotton allotment so as to encourage a buildup of surplus cotton. This percent could be adjusted before planting each year to fill our domestic and export needs.

Senators, row crop farmers are in trouble today. We sell our commodities in a free market, yet what we buy is protected by tariff and trade agreement. A short crop or low commodity prices in the autumn of 1975 could bring economic chaos to the rural areas of America.

Thank you.

The CHAIRMAN. Gentlemen, I want to congratulate both of you on your statements and knowing you as I do, I know you know whereof you speak.

I notice that all of the spokesmen for cotton this morning have had somewhat the same general idea, that the target price concept ought to about get a farmer back what his cost of production was, the loan level ought to be somewhat below that so as not to encourage production of cotton for Government warehouses. I judge that is both of your——

Mr. SMITH. Yes.

The CHAIRMAN. And you think we ought to stay with the target price concept and the loan concept?

Mr. SMITH. Yes. Somehow we need to have a definition of target price so when I go to a banker to borrow money, the average farmer can understand what we are dealing with.

The CHAIRMAN. I think that is correct. I think the committee thought when we were writing the act that if the farmer sold his crop at 37 cents he would get a penny a pound difference to be paid to the Government. That is my own idea and I do not know how the Department of Agriculture got a different impression. [Laughter.]

Any further questions? Senator Young.

Senator YOUNG. Mr. Chairman, I just want to tell Mr. Smith that I like his statement very much. I am especially interested because you are a relative of the late Senator Russell.

The CHAIRMAN. Would you yield at that point? The first contribution to the Russell Foundation was from Milton Young.

Mr. SMITH. Thank you, sir.

Senator YOUNG. He was a powerful advocate of farmers' causes as is the present chairman. Georgia has made a great contribution to agriculture in these two men. I will always remember Senator Russell taking the Senate floor to make such an eloquent speech on behalf of the peanut.

The CHAIRMAN. There was an old Confederate march that went, "here comes the Georgia militia eating goober peas." [Laughter.]

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Any further questions?

Senator BELLMON. Mr. Chairman, I have only two questions. First, Mr. Smith, you recommend a loan of 43 to 45 cents? Do you have any idea—and I do not; I am asking for information—what the costs of fiber that compete with cotton are? My reason for asking, if we get the loan too high we are going to cause substitution of other fibers for cotton.

Mr. SMITH. Sir, certainly I am not an expert on the manmade fibers but I believe polyester today is selling somewhere in the neighborhood of 50 cents. Rayon, I understand, is somewhat lower than that. This is just a guess on my part.

Senator BELLMON. Mr. Chairman, could we ask our staff to find out?

The CHAIRMAN. Sure. The staff will provide that information.*

Mr. SMITH. Sir, if I could expand on your question just a bit, I am told that the buyers of our cotton, the manufacturers and spinners, are not really too concerned about the price, whether it be 50 cents or 60 cents, but stability more than price is one thing that enters into it. In the past we have had these wild gyrations, not having enough and then have a high price, and then it goes down and stability is about as important in my opinion, to the buyer of our product as price, sir.

Senator BELLMON. When we talk about a loan—I am a wheat grower, not a cotton farmer, but the committee thinks that if you say 43 cents or 45 cents that the grower gets that. You just said they take off 4 cents because it is machine harvested, right?

Mr. GRIFFIN. Yes, I have a statement from a cotton manufacturer over there.

Senator BELLMON. What else do they take off?

Mr. GRIFFIN. You have to pay storing charges. I sold my farm cotton. I am the only farmer in my county that has moved any cotton.

The CHAIRMAN. Did you contract your cotton?

Mr. GRIFFIN. Yes.

Senator BELLMON. If I was a cotton farmer and the loan price was 45 cents and I went to get a loan, how much would you——

Mr. GRIFFIN. Well, there are 10,600 bales in the loan in my county at an average of about $125 per bale to the farmer. I think they take out $1.75 receiving charge per bale, $1.75 county office fee per bale, and $1 per bale for Cotton Inc. There is also the monthly charge of $1 per bale for storage and 15 cents per bale insurance. Then the farmer has to pay the interest of 9.275 percent.

Mr. CRAVEN. You receive $123 on a typical bale of Southeastern cotton.

Senator BELLMON. You receive——

Mr. CRAVEN. You have about $12 or $13 a bale by the time it comes out.

Senator BELLMON. Are these figures part of your statement?

Mr. GRIFFIN. I have them notarized and we have them here.[1]

Senator BELLMON. Could they be put in the record?

The CHAIRMAN. Without objection, they will be inserted in the record.

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*See p. 619.
[1] See p. 616.

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Senator BELLMON. I have one other question. In Mr. Griffin's statement, he says that he strongly feels he must reduce the acreage of cotton that is grown. Now, if the Secretary of Agriculture were to get his courage up high enough and come out and recommend a reduction or let us call it a set-aside in cotton this coming year, would he need to pay farmers to set aside land, or would they do it as a condition for qualifying for the target price if it was at the 50-cents range?

Mr. GRIFFIN. I would do it to get a better price for my cotton.

Senator BELLMON. You do not feel you would need to be paid to set aside some of your cotton land?

Mr. GRIFFIN. It would depend upon—

Senator BELLMON. Let us say the target price is 50 cents.

Mr. GRIFFIN. No, sir. If the target price is 50 cents and I am not assured of a cutback in planting, I would not agree to it. It is too dangerous. If my yield would drop to 500 pounds, I would have a loss.

The CHAIRMAN. You get a 500 pound yield in Georgia on the average.

Mr. GRIFFIN. It is 530 in my county and my yield is 762 pounds, but if I dropped down to 500 pounds, it would run me around 60 cents a pound to produce. My cost is pushing $300 an acre.

Senator BELLMON. Mr. Chairman, my point here is if this committee and Congress can set a target price of 50 cents for cotton and, let us say, comparable prices for the other commodities, your feeling is that the grower would then reduce the acreage to get production in line with anticipated demand without being paid for letting his land lie idle, is that right?

Mr. GRIFFIN. I do not know that——

Senator BELLMON. I am talking about you yourself.

Mr. GRIFFIN. I would be willing—what I would leave out would amount to marginal land in that case because I pay rent on any lands that I leave out.

Senator BELLMON. The point of it all is that if it is going to cost the Government something if you get the lands to lay out, if we set a low target price, we are going to have to pay the farmers to have set-aside lands.

Mr. GRIFFIN. Why not put that target price—

Senator BELLMON. That is my point.

Mr. GRIFFIN. Let the target price be a percentage of my allotment which would amount to whatever we use domestically and whatever we export, and vary that percentage according to what we use every year, and then you would not have to have a set-aside. You could plant soybeans or corn, anything you wanted to on that land. That would limit the amount planted and—if somebody was willing to plant more than that percentage, they would not have a guarantee on what they plant. They would not have a target price.

Senator BELLMON. The target price only applies to production price and only on your allotted acres anyway.

Mr. GRIFFIN. Yes, but I am saying limit the target price to what we use and what we export. If we have a 12 million bale allotment

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and we are not using but 8 million bales, put the target price on 8 million bales. If I want to plant more than that, I take my own chances.

The CHAIRMAN. Any further questions?

Senator Allen.

Senator ALLEN. Mr. Chairman, Mr. Smith speaks of the escalation provision and of target prices and loan prices. I am sure all understand that the committee writes a bill, it must be one that meets with the approval of the Senate and then has to be approved by the House, but even then we always have the threat of a Presidential veto hanging over the legislation. On the escalation, the Senate bill 2 years ago provided for immediate escalation. When we could not get that, we sought to have the escalation start with the 1975 crop, but in order to get the bill passed, we had to agree to delay the escalation to apply to the 1976 crop. So any figures that we set here are going to ultimately have to run the gauntlet of administration approval or possible passage over the veto. This seems to be a legislative fact of life.

But specifically here where you speak of the cost escalation, you think the cost escalation provisions ought to apply to the 1975 crop. You say, "In our opinion, it will require a target price at a minium of 52 cents per pound."

Well, would not that 52 cents in effect be an escalation? I mean, would you have 52 cents plus an escalation? I do not quite understand what you are driving at.

Mr. SMITH. Yes, sir. That is what I would recommend, that we have the 52 cents with the escalation clause.

Senator ALLEN. About that?

Mr. SMITH. In there based on the escalation we had in the 1974 crop.

Senator ALLEN. In other words, 52 cents plus an escalation?

Mr. SMITH. Yes.

Senator ALLEN. Of how much?

Mr. SMITH. Well, based on whatever the production costs were——

Senator ALLEN. They went up about——

Mr. SMITH [continuing]. In 1974.

Senator ALLEN [continuing]. About 20 percent. That would get the target up to 60 cents or so.

Mr. SMITH. I think that is what it would take for the cotton farmers just to break even, Senator, not make a profit.

Senator ALLEN. I believe the other testimony has been to the effect that the target price ought to be set around 50 or 52 cents without escalation, figuring that the 50, 52 cents is itself an escalation. But your thought is that the escalation of 1975 cost over 1974 ought to be plowed in over and above the 52-cent target?

Mr. SMITH. Sir, what I was trying to say was that the 1974 increased costs over the 1973 seem to apply to the 1975 crop.

Senator ALLEN. In addition to the 52 cents?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Thank you very much, gentlemen, for your valued contribution.

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[The attachment to Mr. Griffin's statement follows:]

	Per acre	Total
Total acreage—1,330:[1]		
Rent	$20.00	$26,600.00
Fuel	7.44	9,900.00
Depreciation (equipment)	11.27	15,000.00
Interest on equipment notes 9 percent	2.50	3,330.00
Major medical insurance and workman's compensation (for labor)	1.31	1,750.76
Farm insurance, fire, theft, and liability	1.69	2,249.22
Labor	28.04	37,300.00
Highway use tax, payroll tax, property tax on equipment	2.42	3,228.05
8 percent interest on operating capital for 6 mo	3.00	4,000.00
Farm utilities	.57	767.00
Repair, supplies, dues, subscriptions, and travel	15.03	20,000.00
Lime 443 tons ½ ton per acre annually	4.99	6,649.95
Total		$130,774.98
Cotton 300 acres:		
0-10-20—fertilizer 500 lb $104.00 ton (.052)	26.00	7,800.00
Nitrogen 25 cents per pound (80 lb)	20.00	6,000.00
Cotoran—pre-emerge	3.65	1,095.00
Ansar and toxaphene directed—2 applications	7.54	2,262.00
Insecticide, 20 applications; ½ gal per applications	63.40	19,020.00
Aerial application 20×$1 per application	20.00	6,000.00
Treflan 1½ pt ($25.60 gal)	4.80	1,440.00
1½ pt defoliant plus $2 aerial application	4.25	1,275.00
Seed, 16 lb×$0.43	6.88	2,064.00
Insecticide—Mite control, 4 lb temik per acre	4.52	1,356.00
Nemagon ¾ gal (12.40 gal)	9.00	2,700.00
Karmex layby—1 lb per acre $2.65 plus surfactant	3.00	900.00
Hail insurance—$3 per $100	9.00	2,700.00
Cotton related repairs and supplies	6.66	2,000.00
Total		56,612.00

[1] $98.32 fixed cost per acre. $188.70−762.=37 cents per pound plus 98.32=$287.02 total costs per acre (less ginning costs).

[The following material was referred on p. 613.]

U.S. Department of Agriculture,
Agricultural Stabilization and Conservation Service,
Burke County ASCS Office,
Waynesboro, Ga., February 10, 1975.

Mr. Frank C. Griffin,
Waynesboro, Ga.

Dear Mr. Griffin: This letter relates to the information requested by you on cotton and other major commodities in Burke County.

In 1974, 312 Burke County farmers planted 24,298 acres of cotton. The County average payment yield is 530 lbs. per acre. Of these growers planting cotton in 1974, only fourteen (14) of 312 had a 3 year average of 700 pounds of lint per acre or better. This represents 1323 acres of the total of 24,298 acres planted in Burke County in 1974.

As of this date we have placed 10,164 bales of 1974 crop cotton under CCC loan at a value of $1,347,763.63, or a per bale average for all grades of $132.60.

The value of one 500 pound bale of cotton being put in the CCC loan in Burke County, Georgia, having a grade and staple for average cotton mechanically harvested (51–34) and average micronaire reading of 4.0.

25.50 per lb. x 500	$127.50
Less receiving charges	1.75
Loan amount (amount to compute interest)	125.75
Less $1 research and promotion fee	1.00
Less county office fees for handling ($1.50 per note, plus .25 cents per bale)	1.75
Farmer receives	123.00

If this bale of cotton remained under loan until 11-30-75, 303 days x 9.375% interest x $125.75=$9.79 interest to be repaid, plus $125.75 principle amount of loan or $125.75+9.79=$135.54.

I trust that this information is what you need.

Very truly yours,

G. GLYNN JENKINS,
County Executive Director.

GREINER OIL CO.,
Waynesboro, Ga., February 4, 1975.

CATES PLACE FARMS, INC.,
Waynesboro, Ga.

DEAR FRANK: Per your request, we hope the following information will be of help to you.

Our records indicate that we had a 15% increase on Gasoline from January 1973 to January 1974. We also had a 26% increase on Diesel Fuel from January 1973 to January 1974. Our records also indicate that we had a 22% increase on Gasoline from January 1974 to January 1975. We also had a 10% increase on Diesel Fuel from January 1974 to January 1975.

The total increase over a two year period is 37% on Gasoline and 36% on Diesel Fuel.

Yours truly,

JOE GREINER.

S. M. WHITNEY COMPANY, INC.,
Augusta, Ga., February 6, 1975.

MR. FRANK GRIFFIN,
Waynesboro, Ga.

DEAR MR. GRIFFIN: In reply to your question in regard to the selling price of cotton, we beg to say that because cotton is mechanically harvested the average grade of cotton delivered to Augusta, Georgia has a loan or selling value of approximately 400 points below the base grade of strict low middling 1$\frac{1}{16}$'' cotton.

If we can help you further, it would be our pleasure.

With kind regards,

Yours truly,

C. BARRY WHITNEY.

P. J. MAISENHELDER,
Notary Public.

WAYNESBORO FERTILIZER PRODUCTS CO.,
Waynesboro, Ga., January 27, 1975.

MR. FRANK C. GRIFFIN,
Cates Place Farm,
Waynesboro, Ga.

DEAR FRANK: For your information, the cost of fertilizer for row crops for the 1975 season will be up 100% as compared with the price for the same fertilizer in 1974.

Nitrogen for side dressing will be up 40%.

At the present time there is a fair supply of fertilizer in our section, however, Nitrogen is still real tight and there is a strong likelihood that we shall witness increase in costs of both these items during the coming planting season.

Yours very truly,

JOHN W. WALKER.

This certifies that the above statement is true and correct.

JOEL N. CARPENTER,
Notary Public.

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WAYNESBORO FERTILIZER PRODUCTS, CO.,
Waynesboro, Ga., January 28, 1975.

Mr. FRANK C. GRIFFIN,
Cates Place Farm,
Waynesboro, Ga.

DEAR FRANK: With reference to the increase in cost of chemicals for cotton production in 1975, we list below various chemicals that were used by you last year, compared percentage-wise with the current prices for these same chemicals. There is a strong likelihood that the prices for these chemicals will increase during the coming season as they are in short supply.

[Percentage of increase for 1975 as compared with 1974]

Cotoran	38
Ansar	10
Lorox	15
Temik	18
Toxaphene-methyl	18
Niran 6-3	28
Nemagon	41
Folex	19
Karmex	15
Average increase in cost	22.44

We would like to call to your attention that these prices are based on 20 day terms and are prices that are quoted to the large corporate type farm operator.

Yours very truly,

JNO. W. WALKER.

This certifies that the above is a true and correct statement.

JOEL M. CARPENTER, *Notary Public.*

BLANCHARD-STEWART, INC.,
Waynesboro, Ga., January 29, 1975.

Mr. FRANK GRIFFIN,
Waynesboro, Ga.

DEAR FRANK: In answer to your question reference the price increases that we have had during 1974; I will try to break down our prices from January 1974 to January 1975 showing the increases percentage wise and difference in retail price.

Item	January 1974	January 1975	Percent increase
Parts:			
Picker spindle lubricant [1]	9.05	15.30	70
Wetting agent [1]	3.00	4.70	58
Picker spindle [1]	.98	1.45	45
Tractors:			
100 hp	12,714.06	17,790.00	40
150 hp	14,853.57	30,975.00	40
Combines: 6-row machine	23,650.00	31,927.50	35
Cotton picker: 2-row, self-propelled	30,000.00	36,900.00	23

[1] These items relate to cotton and increased more than average. The average increase for 1974 was 42 percent on all parts.

The price increases for our allied manufactures are about the same as I have stated above.

If I can be of further assistance please notify.

Sincerely,

BLANCHARD-STEWART, INC.,
FRED STEWART,
Vice President.

MRS. SALLIE C. DELAIGLE,
Notary Public.

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[The following information was referred to on p. 613.]

FIBER PRICES: LANDED GROUP B MILL POINTS, COTTON PRICES AND MANMADE STAPLE FIBER PRICES AT F.O.B. PRODUCING PLANTS, ACTUAL AND ESTIMATED RAW FIBER EQUIVALENT

[Cents per pound]

Year beginning Jan. 1	Cotton [1] Actual	Cotton [1] Raw fiber equivalent [2]	Rayon [3] Actual	Rayon [3] Raw fiber equivalent [2]	Polyester [4] Actual	Polyester [4] Raw fiber equivalent [2]
1964	[5] 35	40	28	29	99	103
1965	[5] 30	34	27	29	85	89
1966	[5] 29	33	26	27	80	83
1967	33	36	24	25	62	65
1968	35	39	25	26	56	58
1969	30	33	26	27	45	47
1970	29	32	25	26	41	42
1971	32	35	27	28	37	39
1972	37	42	31	32	35	36
1973	64	67	33	35	37	38
1974	62	69	51	53	46	48
1972:						
January	38	42	30	31	35	36
February	38	43	30	31	35	36
March	39	43	30	31	35	36
April	41	46	30	31	35	36
May	42	47	31	32	35	36
June	41	46	31	32	35	36
July	40	44	31	32	35	36
August	38	42	31	32	35	36
September	33	37	32	33	35	36
October	30	34	32	33	35	36
November	33	37	32	33	35	36
December	36	40	32	33	35	36
1973:						
January	39	43	32	33	35	36
February	40	44	32	33	35	36
March	41	46	32	33	37	39
April	46	51	32	33	37	39
May	52	57	32	33	37	39
June	53	58	32	33	37	39
July	58	64	33	34	37	39
August	72	80	34	35	37	39
September	88	98	34	35	37	39
October	84	93	35	36	37	39
November	72	80	35	36	38	40
December	82	91	36	37	38	40
1974:						
January	86	96	36	37	38	40
February	76	84	44	46	42	44
March	70	78	47	49	42	44
April	71	79	50	52	42	44
May	64	72	50	52	42	44
June	61	68	50	52	46	48
July	62	69	55	57	46	48
August	58	65	55	57	51	53
September	55	62	55	57	51	53
October	52	58	56	58	51	53
November	47	52	56	58	51	53
December	45	50	55	57	48	50

[1] M-1 1/16" at group B mill points, net weight.
[2] Actual prices converted to estimated raw fiber equivalent as follows: cotton, divided by 0.90, rayon and polyester divided by 0.96.
[3] 1.5 and 3.0 denier, regular rayon staple.
[4] Type 54, 1.5 denier Dacron.
[5] Prices for August 1964–July 1966 exclude equalization payments.

Source: Agricultural Marketing Service and Trade reports.

The CHAIRMAN. The next witness is Mr. Wesley K. Wannamaker, president, Southern Cotton Growers, St. Matthew, S.C., accompanied by Mr. Nelson Gibson, president, North Carolina Cotton Promotion Association, Gibson, N.C. Gentlemen, we are delighted to have you with us.

You may proceed, Mr. Wannamaker.

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STATEMENT OF WESLEY K. WANNAMAKER, PRESIDENT, SOUTHERN AND GIBSON COTTON GROWERS, ST. MATTHEWS, S.C.

Mr. WANNAMAKER. Mr. Chairman and members of the committee, my name is Wes Wannamaker. I am a cotton farmer and ginner from St. Matthews, S.C. I serve as president of Southern Cotton Growers, Inc., and appear before you on their behalf.

Southern Cotton Growers, Inc. is the regional cotton producer's organization representing cotton farmers in Alabama, Georgia, North Carolina, South Carolina, and parts of Florida, Tennessee, and Virginia. The southeast planted 1,444,000 acres of cotton in 1974, or about 12 percent of the total U.S. crop.

After enactment of the Food and Agriculture Act of 1973, we felt, as most farmers did, that the 38 cents target price, a loan level based on a 3-year average of world prices, coupled with an escalator clause to protect us from inflation, would be adequate to meet the needs of American farmers in the foreseeable future. Such has not been the case.

We are all aware that this Nation and indeed the world has experienced a period of double-digit inflation unparalleled in this country in modern times. We have faced shortages of fuel and fertilizer, sharply escalating production costs, and cotton prices that have fallen below the cost of production, even for our most efficient farmers.

As you are aware, Mr. Chairman, the recent reported planting intentions issued by the U.S. Department of Agriculture indicates that farmers in the Southeast intend to reduce cotton acreage in 1975 to 50 percent of the acreage they planted in 1974.

The cotton industry in the Southeast provides thousands of jobs, not only on the farm but in the processing and textile industries, and injects millions of dollars into our economy. Due to present production costs, unstable markets, and the general economic conditions in this country and abroad, our sources of credit are unwilling or unable to provide adequate financing to a large majority of our producers to cover their needs for the 1975 cotton crop. If we are not afforded immediate relief in the form of a price mechanism which will assure producers, and their bankers, of an adequate return on their investment, the Southeast will experience widespread shifts in land usages this spring.

Mr. Chairman, farmers in the Southeast are in wholehearted agreement with statements expressed in your speech before the Georgia Farm Bureau Convention and recorded in the Congressional Record of December 10, 1974. We agree with you that the target prices established by Congress in the Farm Act of 1973 are totally inadequate. We hope that the bill which this committee develops will provide a minimum target price of 52 cents per pound for cotton. We believe that the loan rate must be closely tied to the target price and, therefore, it also must be raised to a more realistic level. The loan is the one tool which can secure adequate producer financing, provide a mechanism to insure orderly marketing and maintain a viable cotton industry in the Southeast.

We realize, Mr. Chairman, that loan rates should not be so high that they will encourage unnecessary production, domestically or by our foreign competitors. But the American farmer, if asked to produce adequate supplies, must be provided with reasonable income protection for the high risk he must shoulder. In our judgment, the loan rate, to

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serve this purpose, should be set at a minimum of 44 cents per pound—basis middling 1 inch. Our average cost of production in the Southeast during 1974 exceeded 55 cents per pound.

In addition, Mr. Chairman, we recognize that the target price concept is based on a national average of prices received by farmers during a calendar year. Just as a man can drown trying to ford a river averaging only 1 foot in depth, average prices are also deceiving as they apply to the target price concept. The target price affords no guarantee that any single farmer will receive x cents per pound, or in fact, any payment at all, as was evident in 1974. We would respectfully suggest, Mr. Chairman, that the loan price is the foundation on which farmers must rely to secure crop financing, and a reasonable assurance that a part of his costs of production will be returned from the marketplace.

At a meeting of Southern Cotton Growers, Inc., in Atlanta on February 8, our membership adopted the following additional positions concerning possible new farm legislation:

1. Any new legislation should contain an escalation clause which would adjust target prices upward to meet rising costs of production applicable to the 1975 cotton crop.
2. That any new legislation should maintain the present provisions in the law designed to protect a farmer's history acreage by release and reapportionment of allotments and the transfer of allotments among farms by sale and lease within a State.
3. That interest rates for Commodity Credit Corporation loans should not be so high as to discourage a farmer from making full use of the program. We believe this rate should not exceed the 5½ percent rate in effect in January 1974.
4. That in order to facilitate orderly marketing of qualities of cotton which may temporarily be in excessive supply, and in order to maintain adequate stocks outside of Government-owned inventories, we recommend that farmers be given the opportunity to renew loans for an additional period of 8 months beyond the present 10-month loan period.
5. And as in the past, Mr. Chairman, producers in the Southeast are adamantly opposed to any program which would deny them free access to foreign markets.

I apprciate the opportunity to present our views before you today and will be glad to try to answer any question you or the committee may have.

Thank you.

The CHAIRMAN. Mr. Gibson.

STATEMENT OF NELSON GIBSON, PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIATION, GIBSON, N.C.

Mr. GIBSON. Mr. Chairman, I probably have the shortest statement of the day.

Mr. Chairman, members of the committee, my name is Nelson Gibson of Gibson, N.C. I am a cotton farmer and also farm other crops. I am presently serving as president of the North Carolina Cotton Promotion Association in which capacity I address you today.

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On behalf of our membership I wish to endorse wholeheartedly the testimony of Mr. Wannamaker of Southern Cotton Growers, Inc., of which we are a part, who we feel has very ably expressed the feeling of our farmers in North Carolina.

Thank you, Mr. Chairman and members of the committee.

The CHAIRMAN. Mr. Gibson, you have made a very eloquent statement. [Laughter.]

I think both of you have made a great contribution here. I notice the pattern of all of the witnesses representing the cotton industry and the cotton producers is substantially the same. I take it that you are in favor of staying by the target price loan concept.

Mr. WANNAMAKER. Yes, sir.

The CHAIRMAN. That is true of both of you?

Mr. GIBSON. Yes, sir.

The CHAIRMAN. And you think the target price ought to recover the cost of what the farmers produce?

Mr. GIBSON. Yes, sir.

The CHAIRMAN. And that loan levels should be somewhat less so as to not encourage production for Government warehouses alone.

Mr. GIBSON. Yes, sir.

Mr. WANNAMAKER. Yes, sir.

The CHAIRMAN. Thank you.

Any further questions?

Senator HUMPHREY. What is the present loan level on cotton?

Mr. WANNAMAKER. Present loan level for the 1974 crop is 28 cents.

Senator HUMPHREY. The loan level is 28 cents. What is the target price?

Mr. WANNAMAKER. The target price is 37.

Senator HUMPHREY. Is it 60 percent of parity? What would you estimate as being a reasonable percentage of the target price for the loan level?

Mr. WANNAMAKER. Senator Humphrey, we are thinking in terms of 80 to 85 percent.

Senator HUMPHREY. Eighty, eighty-five percent?

Mr. WANNAMAKER. Yes, sir.

Senator HUMPHREY. Thank you.

The CHAIRMAN. If there are no further questions——

Senator BELLMON. Mr. Chairman, one question.

When you talk about loan price of 44 cents and target price of 52 cents, do you mean net to the farmer?

Mr. WANNAMAKER. Well, farmers would not net 44 cents because the loan price is based on middling inch cotton and you have a scale down and a scale above the loan.

Senator BELLMON. You are applying a little Kentucky wind damage here. You have it high enough so you think farmers could live.

Mr. WANNAMAKER. Perhaps so. It strictly depends on the grain and staple length of the sample.

Senator BELLMON. What about the 52-cent target price? Is that what you expect the farmer to get or is it——

Mr. WANNAMAKER. We are really asking for 52-cent target price plus the escalation clause.

Senator BELLMON. I understand.

Mr. WANNAMAKER. We are talking about a target price in the neighborhood of 58, 59 cents.

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Senator BELLMON. But the 52 cents that you have in your statement is intended to be net to the farmer?

Mr. WANNAMAKER. Yes, sir, it would be.

Senator BELLMON. After payment of all the various charges that they take out.

Mr. WANNAMAKER. Of course, the target price, the loan price, are completely different. It would be——

Senator BELLMON. Right. But we had a witness who said they take off 4 cents a pound for machine-stripped cotton

Mr. WANNAMAKER. This is for loan cotton, right, yes, sir.

The CHAIRMAN. Thank you very much.

If there are no further questions, thank you, gentlemen.

The next witness is Mr. Ed Mauldin, Town Creek, Ala., and the Chair recognizes the distinguished Senator from Alabama.

Senator ALLEN. Thank you, Mr. Chairman.

Mr. Chairman, Mr. Edward F. Mauldin is a farmer, a cotton ginner, and farm implement dealer and president of a small town bank which makes farm loans. He has appeared before this committee many times. We all know him. He enjoys a national reputation as a farm spokesman, as evidenced by his past membership on the National Agricultural Advisory Council and past membership on the National Food and Fiber Commission, and also because of the valuable and knowledgeable testimony he has given our committee in the past.

Ed is a personal friend and a valued constituent and has been of great benefit and service to me.

The CHAIRMAN. Will the Senator yield at that point? Is it fair to state he is also a big Jim Allen supporter?

[Laughter.]

I remember several years ago, I believe he was a member of the General Assembly of Alabama at the time and Senator Humphrey and I were fighting so valiantly to get one price cotton, he gave us valued aid.

Senator HUMPHREY. I should say so.

The CHAIRMAN. You are well introduced. You must be an outstanding witness. You may proceed, sir.

STATEMENT OF ED MAULDIN, LEIGHTON, ALA.

Mr. MAULDIN. Thank you, sir. I will admit to and claim one important contribution and that is I feel like that we in Alabama do contribute something to the political system because of the fact that we send Jim Allen and John Sparkman to the Senate, and George Wallace to the country.

Senator HUMPHREY. You bet. Jim Allen to the Senate and George Wallace to the country.

[Laughter.]

Mr. MAULDIN. We wish we could make an economic contribution of the same magnitude that we feel like our political contribution is through our distinguished political leaders.

As Senator Allen has mentioned, I have been allowed to testify before your committee before, Mr. Chairman, for which I am indeed grateful. I don't believe at any other time I have been as apprehensive about the condition and the future of agriculture as I am now. In

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fact, it would seem to us in Alabama that the energy crisis that we are now enduring may be, in the not too distant future, supplanted with a food-and-fiber crisis if we can't at this time get a better handle on a viable public policy for food and fiber for our country.

Indicative of the importance that we in Alabama and that the nonfarm segment of the Alabama population attaches to the farm problem, I would like to call your attention to, and with the Chairman's permission, make a part of the record, certain articles and publications.

The CHAIRMAN. Without objection the articles will be inserted in the record.*

Mr. MAULDIN. This one, an article in the Birmingham News, refers to a meeting in Greensboro, Ala., held just this week. A member of the Senate committee staff attended with Senator Allen. It quotes a young farmer saying, "I won't be a farmer if there is not some relief within 45 days."

Now, I think that is not, Mr. Chairman, an isolated incident in our State.

Another story here with headlines in the Birmingham News, which is Alabama's largest newspaper, says, "38 cent cotton and 50 cent cost. So farmers ponder: plant or not."

Now, it goes on to quote the people from Auburn University, one Mr. Louis Chapman, who is a cotton specialist for Auburn University—the land grant college in Alabama—stating that his research into the production costs in Alabama indicate that it costs 40 cents a pound out-of-pocket costs to grow cotton in Alabama and that the target price as we have talked about here today is only 38 cents.

Editorials, "to plant, or not," have appeared—such editorials have appeared in the Birmingham News and many other papers.

Alabama's largest financial institution—in publishing its fourth quarterly statement which was the annual statement of condition—Alabama Bancorporation, a financial institution with assets in excess of $1½ billion, devoted two pages in its fourth quarterly report to the stockholders to an article entitled "A New Golden Age for Alabama Agriculture?" This article was prepared by the school for business, not of Auburn University but of the University of Alabama in Birmingham. They cite tremendous increases to input costs into the cost of production for 1974 as compared to 1973 but with no projection for 1975. An illustration of the escalation of these costs is ammonium nitrate which is one of the more important inputs in production of crops in the South and particularly cotton. It has gone up since 1973 from $55 a ton to $157 a ton, almost a 300-percent increase in input costs for that one item alone.

Now, these things haven't stopped with the 1974 year. It seems that during this portion of 1975 we have seen further escalation in the cost inputs that the farmer requires. Many of them have been brought out today.

In view of that, Mr. Chairman, our plea to you would be that we must attempt to devise a national food-and-fiber policy, an agricultural policy, a farm policy, if you will, that will build some stability into the agricultural situation, stability at a fair price level to the producer. It is our thinking that the support price ought to reflect a percentage of parity. That being geared to parity you can hope that

* See p. 627

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the changes in the input costs that we have just discussed will be such that the support price will then follow them up and even follow them down if indeed they should ever go down.

The CHAIRMAN. What you are really talking about is an escalator clause.

Mr. MAULDIN. Yes. An escalator clause and it needs to be geared to the input—costs—into agriculture because there are so many off-farm inputs that are required now in the production of crops, particularly cotton.

It would be our thought that the out-of-pocket costs—not a return necessarily on land and capital and management—but the out-of-pocket costs that a farmer has to buy from off the farm to produce his crops including his hired labor, those costs ought to be not in excess of, or rather, the support price ought to be at least equivalent to those out-of-pocket costs.

The Chairman. You are talking about target price?

Mr. MAULDIN. No sir—the support price.

The CHAIRMAN. Loan level?

Mr. MAULDIN. Yes sir. The support price. The loan level. At a level at least equivalent to those out-of-pocket costs that the farmer has to acquire off the farm including his farm labor.

The CHAIRMAN. What would you make the target price?

Mr. MAULDIN. Then the target price should be someplace higher that would give him a fair return for his own management and capital and land if he were a prudent farmer, exercising good judgment, and employing efficient production practices. Then that would be the target price level that we would see as building stability into an agricultural program.

We think the consumer——

The CHAIRMAN. What you are saying in effect is the Government guaranteeing every farmer against any loss, is that not correct?

Mr. MAULDIN. No, sir—we don't see it that way.

The CHAIRMAN. If you make the loan level on his cost basis that is what it would be.

Mr. MAULDIN. We are talking about loan level, Senator, only on an out-of-pocket cost basis. He—the producer—has additional costs in return to land, return to capital, that are also fixed costs that would be over and above the figure we see the equitable support price being.

Senator DOLE. That would be covered by the target price?

Mr. MAULDIN. That should be covered by the target price.

Senator DOLE. Are you going to advocate this for everybody in America or just farmers?

Mr. MAULDIN. We would advocate this in the public interest—to assure a continuing adequate supply of food and fiber in behalf of the consumer, we feel like the consumer is entitled to protection from this escalation and these gyrations in prices and the rollercoaster effect which we experienced in cattle, Senator Dole, 18, 24 months ago, and which we experienced in cotton subsequently. We feel like the consumer is entitled to protection from that with a release price at which the Government would release whatever commodities they—the Government—had acquired through the support program, through the loan program. To be released into the market at a level to be fixed as a percentage of parity when the price becomes again exhor-

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bitant, too high, boom, and we feel like the consumer is entitled to this protection. This, Mr. Chairman, is certainly in the national interest.

Now, it also accrues to the advantage of the producers because once the price gets at the too high level, at the 80- to 90-cent level for cotton, at the too high level for cattle, then the prices of beef never go down. Clothes never get as cheap again even when cotton goes down as it is now. The middleman, processors, retailers, tie to these high prices, use them as an excuse to escalate their own price markup in the process and then when the cattle go down, the price never goes down at the retail level commensurate with the price reduction at the farm level. So we feel like we need a three-tiered pricing system, one—a support price, two—a target price, and then three—a release price at which the Government could release these commodities, should they acquire any under the loan program, as a protection to the consumer, to give stability to the producers and in the interest of the public to assure adequate supplies of food and fiber at all times.

I thank you very much and would be pleased to respond to any questions.

The CHAIRMAN. You made a very fine contribution, Mr. Mauldin, and the committee is grateful.

Any questions? Thank you very much.

Senator HUMPHREY. Mr. Chairman, before Mr. Mauldin leaves, I just want to note for the record that this is the kind of testimony that I have heard here. I was home this past week, and we had some 200 farmers and bankers at a meeting in Bloomington, Minnesota. The group were mainly from small town and country banks and many were soybean and cattle farmers. The soybean farmers said much the same as what you are saying, Mr. Mauldin. They wanted to have a target price and loan program, and we had the University of Minnesota represented. Dr. Hueg was there, and he is the head of the School of Agriculture. They wanted a reasonable loan level similar to what we have heard here from the cotton people. We also talked about a third tier or a so-called release price.

Most of the farmers that I was talking to out there are deeply concerned about these gyrations in the price structure. One farmer said that he is sick and tired of hearing about consumer concerns since, as he points out, he is as big a consumer as any of them. But while what he buys keeps increasing in cost the farmer has no such certainty on what he sells. And so this farmer said he wanted some stability in the market. He didn't enjoy having the price for soybeans reach $11 and $12 and then drop to $5 or $6. The farmers' feed prices remain high and do not drop to reflect the $5 or $6 level.

So I think there is some sympathy with your testimony, Mr. Mauldin. At least there is in my mind. And I just wanted to note for this record the sort of information that I have been getting from people that are not from Alabama, but they are from Minnesota. The same sort of reasoning runs all the way through the testimony. A decent loan price, a better target price, and by the way, our farmers are not so gentle as you are, sir.

As they said, every time they talk to a businessman they are always talking about goodwill, what the goodwill costs and they are also talking about their fixed assets and their equity. But when you get

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to a farmer, they just want to talk about seed, and whether or not mom is out there on the tractor. But I happen to believe that a farmer is entitled to a decent return from his efforts and his land. I think he is entitled to a management fee like anybody else.

Mr. MAULDIN. Could I develop one further point in response to the target price. The target price for cotton is only 38 cents and parity is 75 cents. The loan price is 28 cents and it is going to 34 cents without changing the legislation, so we have a lot of numbers to deal with. But if the target price were today 50 cents a pound—farmers in Alabama are getting less than 35 cents for their cotton; some of them less than 30 cents because of low quality, late harvested cotton—but if even if the target price were 50 cents the deficiency payments would only be 2 cents a pound. So even if you raise the target price you don't guarantee the farmer 50 cents for his cotton. The way the Department of Agriculture presently calculates target price and the basis upon which it is computed, if today's target price in the law were 50 cents a pound, then a grower would only get a 2-cent deficiency payment, even though the current market price is only 35 cents——

Senator HUMPHREY. How come?

Mr. MAULDIN. It is an illusion. The target price concept is deceptive. It is almost a hoax. It is no real guarantee to a producer or his banker.

The CHAIRMAN. Thank you very much.

[The following articles were referred to on p. 624.]

[Reprinted from the Birmingham News, Feb. 12, 1975]

AID IN THE WORKS, HE SAYS

"HELP US," ALABAMA FARMERS BEG SENATOR ALLEN

(By Lib Bird)

GREENSBORO—"Your plight is being told in Washington, but you don't see any farmers on the 6 o'clock news," Sen. Jim Allen told Black Belt farmers during a visit home. Allen is holding a series of meetings around the state.

Farmers, especially cotton farmers, told Allen they were in serious trouble because of high expenses and low prices. "I won't be a farmer if there's not some relief within 45 days," said one young Greene County man.

Allen said legislation favorable to farmers has an easy time in the Senate. But in the House, made up mostly of urban area representatives, it has a tougher row to hoe.

Third-ranking member of the Senate Agriculture Committee, Allen told farmers about farm legislation now under consideration. This includes long-term financing at lower interest rates, restrictions on beef imports, and a government boll weevil control program.

Allen said the new agriculture act which is to be reported out of committee soon would raise the price of cotton. In reply to a question, Allen said 50 to 52 cents a pound has support.

A number of cotton farmers at the meeting said their latest crop still is in storage waiting for some break in prices so they could sell it for at least what it cost to produce.

But, noted a cattle farmer, "The cattle farmer can't put his cows in storage."

Allen said he co-sponsored a resolution to change the quota on imported beef and another to require labeling of imported beef at meat counters.

One soybean farmer told Allen he did not favor any government aid for soybeans. "But I do want you to help the cotton farmers so they won't all plant soybeans," he added.

Allen said when the new cotton target is official farmers will be able to obtain additional loans from banks and farm lending agencies.

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[Reprinted from the Birmingham News, Feb. 12. 1975]

38-CENT COTTON AND 50-CENT COST, SO FARMERS PONDER: PLANT OR NOT

(By Charles Nix)

Most Alabama cotton farmers are in the most frustrating spot of their lives as they try to decide whether to plant this spring in the face of falling cotton prices and rising production costs.

It is estimated that Alabama cotton planting will be off 40 per cent this spring.

The farmers are faced with cotton at 38 cents a pound and falling and no guarantee the price won't keep going down. At the same time, they know it costs an average of 50 cents a pound to produce cotton and production costs are still rising.

Louie J. Chapman, cotton specialist with the Auburn Extension Service, summed up the cotton farmers' situation saying his product was in a depression and the materials he needed to grow it still in an inflation.

There are some real commercial cotton farmers who will produce more cotton per acre and reduce their cost per pound to 26 and 30 cents. These farmers may even increase the number of acres they plant.

The others who plant this spring will be pinning their hopes on a turn around in the economy.

"As soon as the economy turns around, then bingo, everything turns around. We begin to sell shirts, pants, pillow cases and then we sell cotton," Chapman said.

Chapman believes when the time comes farmers are going to plant more cotton than they say they will. "How much more I don't know. There will definitely be a significant decrease in acreage," he said.

But Chapman said some of the farmers are saying they won't be planting because of the frustrations of the past two seasons. But he said when planting time comes they will be in the fields with their seed.

Some cotton state congressmen are trying to get legislation to guarantee farmers a certain amount for their cotton but Chapman said he doesn't believe the effort has a very good chance of success.

An increase in the selling price of cotton or a drop in soybean prices also could influence a larger planting. Some cotton farmers probably would turn to soybeans if they didn't plant cotton.

But some farmers, Chapman said, have no choice but to plant again. They have too big an investment in equipment which has the sole function to raise cotton. A cotton picker cost $40,000.

If the drop in cotton acreage meets predictions, Alabama would have 370,000 acres planted instead of the 600,000 acres last year.

There is less cotton being used than any time since 1934. The textile industry is depressed like the rest of the economy. So there were four million bales of cotton left over from last year's crop.

A nine-million-bale crop this year would leave seven million bales available for export and would set the stage for—guess what—another cycle of high cotton prices, Chapman said.

[From the Birmingham News, Feb. 14, 1975]

TO PLANT, OR NOT

In many recent crop years the question for cotton farmers was which way their crop would be ruined: Boll weevils, a deep freeze or too much rain.

And on a number of occasions two or more of those disasters struck in consecutive years.

Then, more recently, when some of the Alabama crop was placed under the protective umbrella of the federal parity program, contracting to sell all or a portion of their crop for approximately 40 cents a pound, cotton rocketed to a staggering 80 cents, in some cases, leaving many of the producers gasping over what might have been.

Insofar as the cotton-producing effort has developed in the past half dozen years, those involved have had good reason to feel that they can't win for losing.

The barely unbroken streak of cotton problems appears on the verge of continuing undiminished this crop year. The approximate cost of producing a ginned pound of cotton presently is 50 cents. The anticipated market price is 38 cents.

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There are a number of large-scale producers who will be able to produce their crops for quite a bit less than the average cost, enabling them to come out tolerably well on this year's production, barring further natural or economic disasters.

Many cotton producers who have to face the 38–50 problem are giving much thought to turning from cotton to soybeans, a crop where the cost-market price disparity is considerably more predictable. Others may take the gamble, however, and stay with cotton in hopes that the onetime king of Alabama and Southern agriculture will fight its way back.

Because the Dept. of Agriculture has pretty much allowed cotton to sink or swim in a free market, without allotments and supports, the risky question of making even a modest profit on cotton this year involves not just preparing the soil, putting the seed in the ground and cultivating the crop, but also involves credit for making the crop, if such is available, and then the anxious months of waiting to learn how everything will turn out in the fall.

A report assembled by The School of Business, University of Alabama in Birmingham, and distributed in the final 1974 quarterly report by Alabama Bancorporation, detailed the cost crunch faced by Alabama cotton producers by listing the wholesale costs of a dozen items, including fertilizer, farm machinery and other needs used primarily in cotton production. The comparisons were made between 1973 and 1974 prices.

The increases ranged up to 285 per cent for bagged ammonia nitrate and 113 per cent for diesel fuel down through a wide range of higher prices. Nothing had remained stable and there is no expectation that they will in 1975.

Whatever decision is made by cotton farmers in Alabama this year there is a strong indication that planted acreage will decline from last year's 600,000 acres figure to approximately 370,000 this year.

Cotton's economic plight is critical. And chances are that it will get worse before it gets better if and when it does.

[The following material was excerpted from Alabama Bancorporation—Consolidated Financial Statements, Dec. 31, 1974, p. 9]

* * * * * * *

Recently, twelve Alabama farmers were invited to participate in a Montgomery meeting sponsored by the Alabama Farm Bureau to provide information on how escalating costs of fertilizer, farm machinery, and other farm inputs were affecting farm profitability. Shown below are 1973 and 1974 wholesale prices for several items used primarily in cotton production. This sample list was compiled by an Alabama cotton farmer from purchase receipts. The prices are not necessarily indicative of current conditions and are used only to demonstrate the startling rise in farm operations costs.

Item	Prices— 1973	Prices— 1974	1975 percent change
33 percent nitrogen solution	$60.76	$123.28	+102
Bagged ammonia nitrate	55.00	157.00	+285
0-10-20 verta green	47.85	70.08	+65
Treflan	5.15	6.50	+26
Cotoran	3.35	4.50	+34
Labor	1.30	2.00	+53
6-3	5.15	8.00	+55
Tremick	.83	.98	+18
Azadium	15.00	17.25	+15
Severol	4.40	6.40	+45
Gasoline	.29	.42	+45
Diesel fuel	.15	.32	+113
4630 tractor	14,300.00	18,220.00	+28
680 bicycle spray rigg	5,800.00	7,779.00	+34

Based on evidence presented at these hearings, costs to these twelve representative Alabama farmers have risen on the average by about 33 percent in only one year. Moreover, the participants anticipate that costs will possibly escalate throughout 1975, making production planning almost impossible.

What we have observed, then, is food prices rising but farmers' costs rising even faster. Recent evidence suggests that this cost-price squeeze has become even

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more intolerable. Indeed, in November 1974, the price that farmers received for their products had declined by 4 percent from November 1973, despite a 15 percent increase in retail food prices over the same period.

What does economic theory suggest about the eventual outcome of such price behavior? First, consumers will ultimately pay for these increased farm costs in the form of higher food prices. Second, these high prices will continue due to reduced supplies as more and more farmers are forced into bankruptcy by the continuing cost-price squeeze.

A new day for the Alabama farmer? Yes, but not the one some people had envisioned.

The CHAIRMAN. Our next witness is Albert McDonald, Huntsville, Ala., and the Chair recognizes the distinguished Senator from Alabama.

Senator ALLEN. Thank you, Mr. Chairman.

Mr. Chairman, one of the greatest cotton growing areas in the entire country is Alabama's beautiful Tennessee Valley and from the heart of Tennessee Valley we have State Senator Albert McDonald accompanied by Mr. Bob Hughes, who is executive vice president of the First Alabama Bank, in Huntsville, which has been in existence since 1865, and has made loans to farmers, during all of that time. Mr. James Record, who is the perennial Chairman of the Madison County Commission. These gentlemen I know can make a very valuable contribution to the committee in their testimony.

I might state that Senator McDonald is the past president of the Southern Cotton Growers Association. He is on the Agricultural Committee of the Alabama State Senate and also a member of the joint house and senate committee to study problems of the Alabama farmers. Senator McDonald has appeared before this committee several times in the past.

I think we are real fortunate to have these gentlemen come before the committee and give us the benefit of their views.

The CHAIRMAN. We are honored to have you back. You may proceed, sir.

STATEMENT OF HON. ALBERT McDONALD, ALABAMA STATE SENATOR, HUNTSVILLE, ALA.

Mr. McDONALD. Thank you very much, Mr. Chairman. Senator Allen pretty well took care of the first page of my testimony as far as introductions go.

The CHAIRMAN. We will insert that in the record and you may omit it.

Mr. McDONALD. I would like to mention that my friend, Commissioner James Record, who is chairman of our county commission, has led our commission in receiving two "Keep America Beautiful" contest awards both in 1973 and 1974. The Madison County Commission has won more awards than any county commission in the United States.

Many have appeared before you and have described the circumstances which confront farmers of this country. I am not anxious to repeat previous testimony, however; I wish to briefly point out the dire economic situation which faces the cotton and beef cattle farmer of north Alabama. Even though I speak of a local situation, I am sure it must be representative of the cotton and beef cattle situation throughout the country.

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During the past 2 years our cotton farmers have marketed the product of their labors for an average crop price of 28 cents to 75 cents per pound. In 1973 most cotton farmers marketed by crop contract for 28 cents to 32 cents per pound. The few who did not contract sold for 50 cents to 75 cents per pound. In the declining market of 1974 very few farmers were able to negotiate sales contracts when prices were high, so as a result, they have sold from 35 cents to 40 cents per pound or still own their 1974 cotton crop. In my area in 1973 costs of production were approximately 40 cents to 45 cents per pound. In 1974 costs of production rose to over 50 cents per pound. Estimates for 1975 costs of production must be raised even higher because of the increased inflationary spiral.

The above facts point to low prices received for cotton and rising costs of production as a major problem, but, gentlemen, I propose that the greatest problem for the cotton farmer, the cotton industry and the entire agricultural economy of the Nation is widely fluctuating prices received by the farmers.

Beef cattle farmers in my area can present a similar example of rising costs of production and widely fluctuating prices received for their products. Cattle sold from cow-calf herds in Alabama now sell for the same price received in the 1950's which is approximately one-half the total cost of production. Is there an answer to this dilemma? In my opinion the answer is obvious. Reinstate and administer the Federal farm program philosophy which served farmers and consumer well over 30 years. Since abandonment of past principles with the adoption of the Agriculture and Consumer Protection Act of 1973 the share of the consumers' disposable income going for food has increased and farmers' net profits have declined. In my opinion the situation will worsen if nothing is changed.

The CHAIRMAN. Senator, will you suspend at that point. I made a luncheon engagement before I saw how long the witness list was today and it is necessary for me to leave at this point. I have asked Senator Allen of Alabama to preside and he has consented to do so. We will run to 12:30 or 12:45, hopefully trying to finish with the testimony on cotton if possible.

If you will excuse me and Senator Allen, will you please take the chair. The witnesses who have testified have a check by their names, Senator.

Senator BELLMON. Mr. Chairman, before we proceed, if we are hearing cotton witnesses this morning, Mr. Dawson is going to testify about wheat. Can he come back this afternoon?

Senator ALLEN [now presiding]. Yes.

Senator DOLE. We are going to get into tobacco this afternoon, whichever is best.

Senator BELLMON. Cotton is closer to wheat than tobacco is.

Mr. MCDONALD. For over 30 years farmers received a reasonable return for labor and consumers became accustomed to the "greatest food bargain in the world" all at a moderate cost to the Federal Government. The farm programs provided adequate and stable supplies of agricultural products to consumers and adequate and stable returns for the farmers. What more do we need?

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Since I am more knowledgeable in cotton production and the workings of legislation as it pertains to cotton, I make the following recommendations:

The Agriculture and Consumer Protection Act of 1973 basically provides all the tools necessary to encourage sufficient agricultural production with a reasonable return to producers, if properly administered. The following adjustments, as pertains to cotton, would provide incentive for cotton producers to continue production:

1. Establish the cotton loan at a level which will insure recovery of most costs of production with level to be determined by a precise formula and adjusted annually for production cost trends. At present cost of production, the loan level should exceed 40 cents per pound.

2. Establish a target price level which will insure a reasonable profit for efficient cotton production. At present costs of production the target price should exceed 50 cents per pound.

3. The provisions which allow for acreage allotments and orderly transfer of allotments within States have served a good purpose in times of overproduction and should be maintained for future use if needed.

4. The farm disaster provision of present law has proved very beneficial in times of adversity and should be maintained and administered according to legislative intent.

Gentlemen, it has been a distinct honor to have appeared before this committee today. I sincerely believe that legislation which you provide to guide the agricultural industry of this country is as important as any matter which will face this Congress. I have confidence that this committee will prepare legislation which will meet the challenge at hand.

Senator, in addition, I have a letter which I have provided to the Secretary and a statement from Mr. Hughes here which I would like to have entered into the record.

Senator ALLEN. Without objection, so ordered.

Mr. McDONALD. That completes my statement.

Senator ALLEN. Thank you.

Mr. McDONALD. I will entertain any questions.

Senator ALLEN. Suppose we hear from all three, then, before we ask any questions.

Mr. Hughes, you have a separate statement?

STATEMENT OF BOB HUGHES, EXECUTIVE VICE PRESIDENT, FIRST ALABAMA BANK, HUNTSVILLE, ALA.

Mr. HUGHES. Mr. Chairman, gentlemen of the committee, it is a pleasure and an honor for me to make this following statement.

I have been associated with agriculture most all of my life and as a banker, lend money to both farmers and businessmen associated with agriculture. My testimony today is intended to emphasize and to provide further impetus to what Mr. McDonald has previously outlined to you. Certainly we do not want to be repetitious but we strongly believe that immediate action is needed in this matter and want to point this out to you.

Today, the American farmer is being asked to furnish food and fiber, not only for the United States, but also for export to aid in the balance

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of payments. Following one of the most erratic, expensive, and frustrating years in our Nation's history, the farmer is called upon for an all-out production effort in 1975 with higher risks. In order for him to meet this challenge, we must establish some degree of stability not only for the prices the farmer receives, but also for his costs. The Government and consumer must share this risk.

The current situation has developed due to several factors and trends, each in itself only troublesome, but their interaction has proven to be a disaster especially for the cotton producers and cattleman. The following trends have contributed to the situation:

1. The substitution of machinery for labor along with increasing size of land units operated greatly increase capital investment and risk.

2. An increasing dependence on herbicides, pesticides, and chemical fertilizers require high cash cost per acre, regardless of yield.

3. The disappearance of "trade credit" along with loss of direct Government subsidies create cash flow problems and increase peak credit needs by at least 50 percent.

These factors outside of agriculture have also contributed:

1. Inflation has caused the operational cost for agriculture to double and in some cases quadruple in the past 3 years.

2. Government influenced trade policies together with changing international money values have created highly volatile and unpredictable prices for our farm products for which the farmer has seldom benefited and has most often been the victim.

3. Consumer advocates and ecologists have falsely criticized agriculture and placed unwarranted restrictions on many essential items of production.

In my opinion the following are immediate needs:

1. Raise target prices and loan rates to realistic levels and lower interest rates on Commodity Credit Corporation loans and I recommend 5½ percent, and provide escalator protection to cover increased costs of production on the 1974 crop, taking effect in loan and target prices in 1975.

Specifically:

Loan rates	*Target price*
Cotton 45 cents per lb. or above	55 cents per lb. or above.
Corn $2.25 per bu. or above	$7.50 per bu. or above.
Soybeans $4.50 per bu. or above (reinstate)	$7.50 per bu. or above.
Wheat $3 per bu. or above	$3.50 per bu. or above.

2. Support expanded export markets with emphasis on cotton and livestock.

3. Give No. 1 priority, and subsidize if necessary, the development of increased production capacity for fertilizers, herbicides, and pesticides, primarily for domestic usage.

4. Improve the protection offered through the Federal crop insurance program.

5. Maintain or increase the agricultural conservation program.

6. Protect farmers by closer regulation and supervision of forward contracting firms.

7. Relax controls on essential uses of hormones, pesticides, and herbicides where adequate proof of hazards do not exist, and impose new regulation only after complete testing has been done.

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8. Continue and improve the farm disaster provision of the present law.

9. Allow acreage allotment transfers within States.

10. Establish and enforce more stringent beef import controls.

11. Initiate appropriate incentives for the textile industry to use our natural fibers and I might say here, this will also help to alleviate mass unemployment.

Gentlemen, the preceding problems and recommendations are submitted as a means to enlighten you, from our viewpoint, of some of the many things that need correcting in order for our Nation's agriculture to continue, especially as the world's leader. It is impossible for every person associated with agriculture to be favorably affected by any one piece of legislation. However, it is our hope that you will write or amend the Agriculture and Consumer Protection Act to favorably affect the majority of our Nation's citizens associated with agriculture. Above all else, may I emphasize to you the urgency of some positive action in this regard. Those affected by this crisis need immediate help or they will not survive. Delayed action will merely turn many good farmers and businessmen away from agriculture; thereby, forcing our Nation to have to rebuild this segment of our economy with different people. I would like to take this opportunity, Senator, to thank those of you on this committee who have already come out in support of increased commodity prices in all areas. It is indeed an honor to have the opprotunity to make this presentation and I have the utmost confidence that the legislation you pass will favor the majority of those involved in agriculture. In my opinion, there is no matter facing this Congress of more importance.

Senator ALLEN. Thank you very much, Mr. Hughes.

Mr. Record.

STATEMENT OF JAMES RECORD, CHAIRMAN, MADISON COUNTY BOARD OF COMMISSIONERS, HUNTSVILLE, ALA.

Mr. RECORD. Thank you very much. I don't have a prepared statement and I will be brief.

I am not a farmer. I am not an expert farmer at all. I am not a banker. I am a fellow officeholder and I am a good listener and I have been listening to farmers in Madison County, Ala., now for sometime and they are in desperate straits, many of them. I have heard the worst today as far as I am concerned but we are going to have a great many bankruptcies in our area. We have evidence of this and it will go into the record with some of the items we have given you here, today.

I practice a brand of politics where I go out to the people and I have literally talked to hundreds. Not just talked, but went and sat on the front porch with the farmer and learned what he is talking about nowadays. Many of them are small farmers. They don't know what parity is and don't know about many of the things you are talking about today. They don't know about the target price, some of them, but they all know what their cotton is bringing and I am speaking for not only cotton but corn and particularly in our county, cattle. The cattlemen are in trouble. I know it and as a fellow officeholder I am here today to corroborate what I have already been

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hearing here and I am confident you will do something about this. Thank you.

Senator ALLEN. Thank you very much, gentlemen. One thing that has not been mentioned very much is the contract price. I know that many farmers have contracted at a low price in 1973 and cotton went very high and they had to level on those low contracts. Yet in 1974 contracts were made at a good price and the market went well below that price and then the time came for the contract purchaser to deliver, he could not, in many instances, be found or else he was in bankruptcy.

Did that situation exist in Madison County?

Mr. McDONALD. To a certain extent, Senator. I know of one firm who had considerable contracts in the county that did not honor the contracts, but only one firm. Several did honor contracts.

Senator ALLEN. I know of one concern that had millions of dollars in contracts. They went under.

Mr. McDONALD. Yes; that same firm had contracts in Madison County.

Senator ALLEN. There are many questions I would have liked to ask you but inasmuch as we have several witnesses to get to before lunch I will not ask any questions.

Are there any other questions?

Senator DOLE. I share your view that farmers are in great difficulty but as I look back over the 14 years I have heard testimony on the House and Senate Agricultural Committees and it really hasn't changed all that much. It has just been one bad year after another. But farmers keep coming back. I bet I could go back 8 years ago and pick out statements that would almost read the same except you change maybe the commodity and the circumstances. So I don't really believe that it is quite as disastrous as some may indicate. It seems everybody comes to the committee with the thought in mind of painting a rather bleak picture.

You didn't offer any suggestions. You just corroborated how bad if was and that is very helpful, and as far as Mr. McDonald is concerned, I want to ask a question. I don't believe the target price ought to include a reasonable profit. I mean, if we are going to do this for American farmers, what about the small businessmen and everyone else in this country? If the Government is just going to take over and guarantee everybody a profit, why not just have the Government take it over altogether?

Senator ALLEN. I don't believe anyone is suggesting that a profit be written into the target price, Senator Dole. Speaking of the plight of the cotton farmer, I have held five farm meetings there in Alabama. I have talked personally with numbers of farmers and I know that their backs are to the wall financially and with the tremendously escalating price of everything going into production of cotton and other agricultural products, and the constant decline of commodity prices, he is really in a situation where he is going to go under and not be able to plant in 1975.

Senator DOLE. I am sympathetic to that and I support the cotton farmer but I don't think I would go as far as he suggests, establish a target price level which will insure a reasonable profit for efficient cotton production. I don't think we want to get into that business

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where we are going to start setting profit margins in the committee and say, well, if it is properly administered, everybody would make a profit.

Mr. McDONALD. I would like to define the word efficient. I think that is a very key word. I don't write statements for committees every day.

Senator DOLE. The preceding witness from Alabama had the same theory. One of George Wallace's campaign planks.

Mr. HUGHES. Senator, could I read a letter to go into the record?

Senator ALLEN. Just put it into the record.

Mr. HUGHES. This is in connection with what the Senator is asking.

Senator ALLEN. All right.

Mr. McDONALD. This letter is from Mr. G. B. Murphy from Tanner, Ala. It says:

To Whom It May Concern:

I will make this as brief as possible. My home is Tanner, Alabama. I am a cotton ginner with 14 cotton gins located in 10 counties in Northern Alabama and Southern Tennessee. I have quite a bit of farmland myself and I am familiar with the operations of about 2,500 men who gin cotton with me in the 10 counties I am located in.

Unless we have some kind of Government program with a decent loan or a page price of some sort, a big percent of the farmers will go bankrupt. It is a fact that loan companies and banks are not going along with the farmers, knowing that they are going to come out deep in the red to start with.

I have figures that were made up from my own farm and other farms in this vicinity. It will cost the farmers $225 a bale for materials and labor to grow a bale of cotton at the present market prices of supplies.

The average price cotton is selling for at the present is $175 a bale. If they make a bale to the acre they will have a loss of $50 a bale. It is very seldom they make a bale to the acre. The farmers are having sales all over the State, selling their equipment for whatever they can get for it at auction and quitting. These are facts.

Senator DOLE. I want to conclude as I know Senator Humphrey has a question. We are all trying to find some solution but let's not make it impossible by suggesting we have to write in a profit for everybody who participates in farm programs. With reference to Senator Allen's good comments on forward contracting, Senator Bellmon had a bill in last year that would provide some protection to take care of those people that lose money in forward contracting.

Senator BELLMON. I believe Senator Allen agreed to hold hearings on it this year, so we will have it back in.

Senator ALLEN. That is right.

Senator HUMPHREY. That was the point which I want to emphasize. This forward contracting does have great promise, but it also has great difficulties. As a couple of witnesses have said before, we need to take a look at it and see what we can do to improve it. I think it really does merit considerable favorable attention if we can work it out.

One final thing, Mr. Chairman, and I just put this in for the record. We had the Chairman of the Council of Economic Advisers, Allen Greenspan, before the Joint Economic Committee, and I think it would be interesting for the committee staff to take a look at the report of the Council of Economic Advisers on Agriculture. You will be disappointed, but you should take a look at it.

Mr. Greenspan said, and listen to this, that one of the most encouraging signs in the economic picture is the drop in farm prices.

Senator BELLMON. Sounds like Secretary Freeman.

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Senator ALLEN. Encouraging to whom?

Senator HUMPHREY. I just thought we would let that sink in. I tell you that I sat there like something had hit me on the head with a hammer. I couldn't believe it. But the idea was that this was going to lower the rate of inflation.

He didn't mention that this also was going to increase the rate of foreclosures and bankruptcies. I want to say to the gentlemen that testified here that while we are on the other end of the Mississippi we have exactly the same situation. The greatest complaint that I heard when I was home was not only from the farmers but my friends in the county banks who indicate that they have many loans which they can't collect. They have no way to collect on these loans, and it costs them high interest rates. It is not only high costs of operating and materials but also these high interest rates. The banker can't collect on the loan and can't collect the interest. The State bank supervisers are running around checking on this problem every week. They are doing everything possible to extend these loans. One of the great needs around here is not only to extend loans on home mortgages—which I happen to think is going to be necessary—but some of these farm loans are going to have to be extended or some of our people are going to be rubbed out. They are going to have to sell those $25,000 tractors for what they can get for them. And they are going to have to sell their farms.

We sent over 3,000 of our Minnesota dairy farmers right down the tube in the last year, and everytime I think of it I get madder and madder. Nobody seems to care. That story is continuing, but we have people around here who think that this is good for the country.

Senator ALLEN. Wasn't Mr. Greenspan the same person who said the people hardest hit by this recession were stockbrokers?

Senator HUMPHREY. Yes; he offered that notion.

Mr. McDONALD. I would like to associate myself with the Senator's remarks. His testimony is better than mine.

Mr. HUGHES. I would like to say one more thing about that. Being a banker, Senator, you are exactly right. The farmer is in worse trouble than he has ever been in my lifetime. I talked to a gentleman from my area who was the largest farmer in Madison County when he farmed. The size of our farms there, the average cotton farmer operates from 250 to 400 acres. He probably farmed 3,000 acres or more when he farmed. He said the farmers are in worse trouble than we were during the depression. I am speaking of the depression of 1929 and 1930. And as you remember the talk I made in Athens, it is not just the recession. It is the recession multiplied by the effect of the inflation. So you have a spreading effect. Without some help the farmers are going into bankruptcy. No question about that.

Senator ALLEN. Thank you very much, gentlemen.

Chairman Talmadge asked that I recess the meeting at either 12:30 or 12:45 and come back at 1:30. Now, we have some eight witnesses who have been scheduled to testify this morning and of course, they will be the first to be heard this afternoon with the possible exception of Representative Perkins of Kentucky, who, if he appears, will be called on first.

I would like to inquire if there are any witnesses scheduled for any time today who would like to put in their written statement which would, of course, appear in the record of the hearing as if delivered

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orally. That would save you the trouble of waiting around. I might make that inquiry as to whether anyone would like to put their statement in the record.

Apparently everyone would like to be heard from and we will certainly be glad to hear your testimony.

The next witness is Mr. A. L. Higgins, and Donald G. Smith, president and executive vice president respectfully of the Texas Independent Ginners Association.

STATEMENT OF A. L. HIGGINS, PRESIDENT, TEXAS INDEPENDENT GINNERS ASSOCIATION, PLAINVIEW, TEX.

Mr. HIGGINS. Mr. Chairman, members of the committee, my name is A. L. Higgins and I live at Plainview, Tex., where I own and operate a cotton gin. I am the current president of the Texas Independent Ginners Association. I am accompanied by Mr. Donald G. Smith, executive vice president of the Texas Independent Ginners Association. I wish to express the sincere appreciation of our members for being given this opportunity to state the views of our association with reference to proposed changes to the 1973 Agriculture and Consumer Protection Act.

The Texas Independent Ginners Association was founded in 1962 and presently carries over 250 full taxpaying cotton gins on its membership rolls. Ownership of these privately owned gins may take the form of single proprietorship; partnership or a corporation. In recent years there has been a significant increase in the number of our member gins which are owned by cotton producers employing professional gin management. In addition, recent studies report as high as 44 percent of Texas gin operators have farming interests in addition to their ginning interests.

The Bureau of the Census reported for the 1973 ginning season that approximately 30 percent of the 3,285 active cotton gins in the United States were located in Texas. The value of these Texas gins was placed at $162 million and their gross ginning revenue alone at $550 million. It was estimated that these gins employed nearly 20,000 workers with a $25 million payroll during the ginning season. These cotton gins are frequently described as the hub of a Texas community—and many times they are the only major industry in that community.

One unique fact about a cotton gin is that it cannot diversify its highly specialized and extremely expensive machinery into noncotton business ventures as almost all other segments of the cotton industry can and do. The cotton ginner sinks or swims with the fortunes of cotton. If the producer can be referred to as the heart of the cotton industry, then the ginner can be referred to as the lifeblood of the cotton industry. The close bond between the producer and ginner is traditional, essential, and one of mutual respect.

The independent cotton ginner's significant investment in the cotton industry and his permanent partnership with the cotton producer are the motivating forces that bring me before this committee to express our deep interest and concern for American agriculture and the American cotton industry.

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It is not my intention to burden the members of this committee with specific and technical comments in support or opposition to proposed changes and amendments to the existing cotton program. Many more qualified persons than myself from the Government and private industry can and will perform this task ably. It is my intention to sincerely and respectfully request that the members of this committee give full and earnest consideration to the views of the Texas cotton producer and the organizations representing him.

The Congress has recognized that the general welfare of the Nation requires the assistance and protection of the Government to American farmers by means of farm programs. I have complete confidence that this committee appreciates the absolute necessity to provide adequate and just income protection to the American cotton farmer. Failure to achieve this dooms the American cotton industry in both the national and world agricultural arenas.

In the firm belief that the producer is also a consumer and that the consumer is also a producer, my association respectfully submits the following general comments on proposed changes to the 1973 Agriculture and Consumer Protection Act:

1. This committee should raise the cotton target price and loan levels for the 1975 crop year since they proved to be so pathetically inadequate for the 1974 crop year.

2. This committee should reevaluate the cotton loan program to determine if the current administration of such program is meeting the needs of the producer as intended by Congress.

3. This committee should be more exact and specific in the language of future amendments to existing farm programs so that Congressional intent cannot be misunderstood or circumvented by administrative action.

4. This committee should not establish Government-held cotton reserves and/or restrictions on cotton export markets because they serve only to erode production incentive and therefore work against the best interests of producers and consumers alike.

It is our judgment that the present cotton program requires a major tuneup approach rather than a trade-in for a new model approach to meet the serious problems of declining markets and escalating production costs.

Senator ALLEN. Thank you very much, Mr. Higgins.

Do you have a further statement, Mr. Smith?

Mr. SMITH. No, sir.

Senator ALLEN. Mr. Higgins, what about the rate for your ginning charges? Has that gone up in recent years?

Mr. HIGGINS. Yes, sir, due to increased cost of labor.

Senator ALLEN. Yes. Well, say your rate——

Mr. HIGGINS. Oh, you mean the charge to the farmer?

Senator ALLEN. Yes. Your rate last year for your 1974 cotton crop as compared to 3 years ago, say.

Mr. HIGGINS. I would say we have had a 30 percent increase.

Senator ALLEN. Thirty-percent increase. That is part of the farmer's production cost?

Mr. HIGGINS. Definitely.

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Senator ALLEN. And it is not out of line with other increases in production costs in other areas of costs, is it?

Mr. HIGGINS. No, sir.

Senator ALLEN. Possibly considerably lower in many instances?

Mr. HIGGINS. In many instances.

Senator ALLEN. I know in our area we have had a steady decline in the number of gins that operate. Is that true in Texas?

Mr. HIGGINS. Yes, sir, very definitely.

Senator ALLEN. Just having to go out of business?

Mr. HIGGINS. There is no way they can diversify.

Senator ALLEN. Yes. In other words, you would like to see cotton production stabilized so that the farmers can make a living and stay in business in order to furnish you with their business. That is your direct connection with the problem?

Mr. HIGGINS. Yes, sir.

Senator ALLEN. Thank you very much, sir. The committee appreciates your statement.

Mr. W. W. Hart, executive director, South Texas Cotton & Grain Association, Victoria, Tex.

STATEMENT OF W. W. HART, EXECUTIVE DIRECTOR, SOUTH TEXAS COTTON & GRAIN ASSOCIATION, VICTORIA, TEX.

Mr. HART. Thank you, Mr. Chairman.

Senator ALLEN. Have a seat. You may proceed as you see fit.

Mr. HART. My name is W. W. Hart. I am executive director of South Texas Cotton & Grain Association, operating in 20 counties, representing some 7,000 member families in the coastal bend of Texas, and I own a cotton and grain farm in San Patricio County, Tex.

I appreciate the opportunity to appear before your committee.

It is obvious to all who have carefully studied marketing and prices of commodities and the cost of producing the food and fiber in this Nation that a devastating change occurred in the increase of production cost in the year 1974. There is a major fallacy in our present law as it pertains to the target price and loan. Proper language should be used so that changes from one year to the next will be reflected.

We are interested in doing our part to produce grain and cotton for the consumer.

We are being told that we need to go all out for maximum production. If the purpose behind this is a cheap food policy, rest assured this will accrue to the disadvantage of both urban and rural America and will result in a decrease in available exports of cotton and grain.

In our opinion, agriculture around the world, and especially in the United States, can produce more cotton, wheat, and feed grains than the importing nations can purchase. For this reason the target price and loan level are most important.

At present, we think the target price and loan are too low. This causes an undue hardship on our producers at a time when our purchases of machinery, fertilizer, fuel, and other costs are held up by a minimum wage law, a fuel crisis, and general inflation.

On the other hand, a target price that requires large expenditures of Government money is a rerun of a very unpopular era for agriculture in our country.

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If the loan is placed arbitrarily above the average market price, then we are once again cycling cotton through CCC instead of the marketplace. Our suggestion would be a 40-cent loan on cotton and a target price of 50 cents for 1975.

If it is the intent of Congress that the loan is a marketing tool, then the interest being charged at present on CCC loans is excessive. We suggest a loan period of at least 18 months which would tend to build a producer-held reserve. We are opposed to setting up a reserve as such under law that could and would be used against the producers to depress or manipulate the markets.

We are aware that grain prices are good at this time, but to assure a more adequate supply, a loan of approximately $1.65 on corn with a target price of $2.50 would tend to protect the producers in the event prices should turn down, and insure adequate supplies for our country.

We hope consideration will be given to the extension of time on the boll weevil eradication program that is in the Agriculture Act of 1973. If and when that should come before this committee.

That is all I have, Mr. Chairman.

Senator ALLEN. Thank you very much, Mr. Hart.

Mr. HART. I did deal with—I touched on grain here because we do work in grain.

Senator ALLEN. Yes. Is it not a little unusual for the cottongrowers and the graingrowers to band together in association?

Mr. HART. Well, we find it very helpful because every farm in our area grows cotton and grain. So it works very nicely. While I mentioned corn, we deal in milo, but corn is the commodity that is used, the grain that is used to determine the loan or target price of milo.

Senator ALLEN. Do you find that less corn is now being used to fatten cattle than before? Do you think that is going to affect the price of corn in the future?

Mr. HART. I am sure.

Senator ALLEN. For hogs and cattle?

Mr. HART. Yes, sir. There has been a reduction in usage in the domestic market. Our grain is milo, and almost all of it is exported, because we are close to the terminal in Houston, Corpus, and Brownsville.

Senator ALLEN. You are suggesting, I believe—the loan on corn is $1.10. You are suggesting that be raised to $1.65?

Mr. HART. Yes. It is not very realistic right now the way it is. We maybe made our figures too high on that. What we are trying to point out is that somebody needs to take another look at it, and we will be working with the committee and Congress in whatever way we can.

Senator ALLEN. And the target point price, I believe, is now $1.38 on corn, and you suggest it go to $2.50?

Mr. HART. There needs to be a sizable change.

Senator ALLEN. Your testimony that there be a 40-cent loan on cotton and 50-cents target price is pretty well in line with what the other witnesses have testified.

Mr. HART. That is right.

Senator ALLEN. Thank you very much.

Mr. HART. Thank you, sir.

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Senator ALLEN. Mr. Donald H. Johnson, executive vice president, Plains Cotton Growers Association, Lubbock, Tex.

Mr. Johnson, excuse me a moment. If you would insert your full statement in the record and then possibly condense it in your oral testimony, I think it might be helpful.

STATEMENT OF DONALD H. JOHNSON, EXECUTIVE VICE PRESIDENT, PLAINS COTTON GROWERS ASSOCIATION, LUBBOCK, TEX.

Mr. JOHNSON. Yes, sir, I certainly will, and I appreciate the opportunity to do that.

There are about seven major points that are covered in my testimony, and again I will summarize these and refer to them in the oral statement.

The seven categories would include the Commodity Credit Corporation loan program, the CCC resale policy, target prices, cotton's access to world markets, the disaster program and the Federal Crop Insurance program combined together, research and promotion funding, and forward contracting.

I think already a good deal has been said about most of these points this morning. I would like to just touch, if I can, briefly on at least two of them that I feel to be most important. These would be the loan and the target price. I would say, Mr. Chairman, in response to some of the questions that have been asked by members of this committee, that definitely we do need to take a very hard look at the loan program, and not only at whether the loan level should be 40 or 42 cents or some other level, but also at the manner in which it is operated, and the duration of the loan. We think the present loan, at 34 cents a pound for 1975, is too low.

Senator ALLEN. Excuse me just a moment.

Mr. JOHNSON. Certainly. As I said, we think the loan level is now too low at 34 cents per pound for 1975. We think also that interest, at over 9 percent, is too high to have an effective loan program and that the term or the duration of the loan should be longer. An anniversary type loan as we have now is what we need, but it should be extended over a longer period of time.

Senator ALLEN. Now, do you feel that the loans should be made at less than cost to the Government?

Mr. JOHNSON. Yes, sir. We feel that the intent of the loan program is to provide an orderly marketing tool and we feel this is one of the best possibilities that we have to take out some of the unevenness in prices, the wide variations, and we feel you are totally justified in having an interest level below the cost of money to the Federal Government. The loan program did operate at a much lower interest level, as you well know, for a number of years, and we think this is fully justified.

We feel, Mr. Chairman, to elaborate on that just a little bit, that the loan program is certainly one of the only viable alternatives that the grower has. We have talked about someone carrying reserves. We know that no one in the industry is carrying reserves at the pres-

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ent time. We do not feel that the Federal Government should carry these reserves as Government-owned stocks. If you look at proposals as to how these reserves are to be carried, you will see that a loan program, under which the cotton can stay in the hands of the grower and enable him to carry cotton over more than one marketing season, will give a little more stability to the market. The loan program offers the best avenue we can see for that and, therefore, we think it is better to subsidize an interest rate to the grower, if that is necessary, than to have the Government owning cotton and carrying the cotton and competing in the marketplace.

Senator ALLEN. And if there is any opportunity to sell at a higher price, that benefit would accure to the grower.

Mr. JOHNSON. Yes. The benefit then would accrue to the grower and we think this is as it should be. And again, we think it is very important, as has been emphasized here this morning, that we try to obtain some stability in market prices. These very wide fluctuations and variations in price are hurting not only the cotton producer but they are hurting the textile manufacturer as well. And they are hurting us in market losses. So we do put a lot of emphasis on the loan program as being one of the tools that can be used to rectify the situation.

I think, Mr. Chairman, that there is a good deal of confusion, particularly among producers as to exactly what the target price system is. We try, as an organization, to do a fairly good job of keeping our producers informed. But as has been stated here this morning, there are many producers that felt if they sold their cotton for less than 38 cents per pound they would get a payment to make up the difference under the target price concept. And that certainly is not the case. I think this needs to be reviewed and looked at very carefully. We will be concerned about setting a target price so high or a loan so high as to encourage the buildup of excessive stocks, but we think a loan program and a target price program can be administered in such a way that this will not happen.

Senator ALLEN. I believe your statement suggested 42 cents loan. You do not think that might cause some loss of market?

Mr. JOHNSON. Mr. Chairman, under present conditions we do not feel that a loan at a 40- to 42-cent level would put us in a noncompetitive position with manmade fibers nor with foreign producers, and I certainly feel that the figures can be brought forward to justify this. But we do not feel that it would put us in a noncompetitive position.

Mr. Chairman, one other comment that I would like to make, and again it has been referred to. Senator Bellmon has introduced legislation in the past designed to protect both parties to forward contracts. We would like to see the committee continue to pursue this. We feel that such legislation is needed, not just to protect producers but in order to make forward contracting a workable tool that can be used as price protection for both parties to a contract. We feel that this should be pursued and we think this is one of the industry's major problems. The mechanism of forward contracting has broken down because of failures that exist in the ability, sometimes of either party, to live up to terms of the contract and this needs to be corrected if contracting is to be a tool that can be used by producers and by merchants as well.

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Certainly, Mr. Chairman, we are very much in favor of maintaining the research and promotion programs, those programs that are now being funded, and to see an increase in this funding. Even though we are looking at reduced consumption domestically, we feel that the dollars that have been spent, both producer dollars and Government money, in support of research and promotion have been funds very well invested and we would like to go on record as supporting a continuation of these programs.

One other point. I would like the opportunity to present some information to the committee at a later date which has to do with the determination of the average prices received by growers. There has been a good deal of comment made that we should use the last 5 months or the first 5 months in the marketing year. This is somewhat confusing because the marketing year begins on August 1 and carries through until July 31 of the following year. We spent a good deal of time in working on this, Mr. Chairman, during the development of this legislation. We came to the conclusion that we would be better off to use the calendar year rather than the 5 months, the first 5 months of the marketing year, and we do have information which we feel will substantiate that and I would like to submit that information to the committee or to the staff at a later date.

Senator ALLEN. That would be fine. I am sure that the record will be held open for at least a week, so if you will furnish that, without objection it will be accepted.[1]

Mr. JOHNSON. I do feel that it would be well if the committee could examine the information which the Statistical Reporting Service generates in determining the average market price it reports as being received by growers. I feel that forward contracting enters into this and should be looked at. Frankly, I have some question about the accuracy of the information which the Statistical Reporting Service is able to supply.

Senator ALLEN. It would be nice if the farmer was able to sell at the figures the Statistical Service shows he was getting, would it not? You made a good point.

Mr. JOHNSON. Yes, sir; it would. There is a huge disparity there as you know. Many growers did not pay a lot of attention to this in the past because it did not affect their income in any way, but as long as we have the target price and loan concept, this becomes much more important.

Senator ALLEN. I believe that is very important to see just what that is based on. It is entirely possible that some of these forward contracts that the purchaser did not deliver on, yet were used as a price he was getting. I think Senator Talmadge's suggestion that it ought to be based on spot prices at the marketplace would certainly be well taken.

Mr. JOHNSON. Yes, sir, I think so. I happen to be serving on the subcommittee that was established by the Subcommittee on Cotton in the House when Congressman Sisk was chairman of that committee last year, the Subcommittee on Market News Information. This subcommittee has representatives from other segments, including merchant, and I find that we are having a good deal of difficulty coming to grips with the problem that exists relative to actual and real price

[1] See p. 645.

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information and market information on cotton and I think this is reflected in the target price calculations as well. So I would hope that this committee could take a very good look at that.

Senator ALLEN. Thank you very much.

Mr. JOHNSON. Mr. Chairman, thank you.

[The following information was referred to on p. 644.]

PLAINS COTTON GROWERS, INC.,
Lubbock, Tex., February 18, 1975.

Senator HERMAN E. TALMADGE,
Chairman, Senate Agriculture Committee,
Old Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: As I indicated at the close of my statement before your committee on February 17, I am enclosing a newsletter we published on June 15, 1973, which details some of this organization's reasons for believing that producer payments based on the difference between the target price and the average price received by all farmers for all cotton over a 12-month period is more equitable than some of the other proposals being made in 1973.

Also, enclosed is a chart, developed in 1973 for the information of our Board of Directors, of average cotton prices for different periods in the years 1966–71. From this chart you can readily see (1) that the average price paid for 1⅟₁₆ inch cotton over any period would not be representative of prices received by most growers nor would it be indicative of price deficiency payments that might be needed, (2) the 12-month average of prices is lower than the average of the first five months of the marketing year, and (3) excluding a large portion of the High Plains crop from the averages, as using the August-December 5-month average would do, would have a significant effect on the average and on subsequent payment calculations.

Again, we appreciate the efforts of your committee on behalf of agriculture and we appreciate the invitation to be a part of those efforts. If we can supply additional information, please let us know.

Sincerely,

DONALD A. JOHNSON,
Executive Vice President.

Enclosure.

Year	Annual average price, high plains cotton	5-mo average price, SLM 1⅟₁₆ cotton	5-mo average price average of U.S. crop	12-mo average price paid to farmers for all cotton
1966	16.93	22.25	21.74	20.64
1967	17.90	27.86	25.72	25.39
1968	17.55	26.36	24.89	22.02
1969	18.71	22.91	20.58	20.94
1970	21.53	23.53	22.08	21.86
1971	27.58	28.81	27.89	28.07
Average	20.03	25.29	23.82	23.15

[Reprinted from Cotton Talks, Plains Cotton Growers, Inc., Lubbock, Tex., Fri., June 15, 1973]

COTTON TALKS

It now appears almost certain that cotton, wheat and feed grain farmers after this year will be operating under a "target price" type farm program. Producers will be exhorted to produce abundant supplies for the benefit of consumers, and in theory at least, will be insured against financial losses by a payment to make up the difference between market prices and a "target" specified by law.

The Senate passed such a bill on June 8. The House Agriculture Committee on Friday, June 15, was expected on the following Monday to report legislation built on the same philosophy. And, amid cries of "it can't be done," House Committee Chairman Bob Poage of Waco was saying he'd have the bill on the House floor by Thursday, June 21.

The Senate bill for cotton sets a target price of 43 cents per pound and calls for producer payments equal to the difference between that price and the average

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market price for Strict Low Middling (SLM) inch-and-a-sixteenth cotton as quoted in the spot markets during the first five months of the marketing year, August through December.

The House version is expected to come from Committee with a target price of 38 cents a pound, with the payment based on the difference between this figure and the weighted average price paid to farmers for all cotton qualities. Not yet settled by the House Committee on Friday was whether the average farmer price would be figured on the August–December period or on a 12 month, January through December basis.

The change from SLM 1$\frac{1}{16}$ inch cotton in the spot quotations to average prices paid to farmers was pushed by Lubbock-based Plains Cotton Growers, Inc., on the grounds that spot market quotations do not accurately reflect prices paid to farmers. The House Committee agreed with this PCG position.

PCG is also asking that average market prices be figured on a 12 month period, using the last 7 months of one marketing year, January through July, and the first five months of the next, August through December. Otherwise, cotton grown on the High Plains, Rolling Plains and in Oklahoma, much of which is marketed in January and February, will have very little influence on average prices and therefore no effect on payment rates.

"The thing to remember in this regard," says PCG Executive Vice President Donald Johnson, who was in Washington during House Committee deliberations, "is that the payment will not be the difference between a target price and the price received by any individual farmer, but on an average of prices, and how that average is figured can mean the difference between profit and loss for our High Plains farmers."

The loan level in the Senate bill for practical purposes would be set at whatever level the Secretary of Agriculture thought necessary to keep U.S. cotton" in line" with world prices.

PCG objected to this provision also and asked that the loan be set, firmly, at 90 percent of the average of world market prices for the preceding three years, with no Secretarial authority to reduce it below that level. Current law governing the 1973 loan level is similar to that in the Senate's new bill, and the Secretary has announced the 1973 loan at 20.65 cents, basis SLM 1-$\frac{1}{16}$ inch cotton, as compared to a considerably higher level that would be justified by the "90 percent of the world market price" language.

Efforts succeeded in getting a change in the loan provisions of the House Committee bill, but not exactly what was asked for.

Johnson says he hasn't seen the exact language relating to the loan, "but some have calculated that the loan under the House Committee's bill couldn't be lower than about 26 or 27 cents for 1974, whereas there would be no lower limit under the bill passed by the Senate.

The House Committee version also bases the loan and other sections, it is understood, on Middling one-inch cotton, the quality used prior to 1973.

The most disheartening aspect of the Senate's bill, Johnson believes, was the $20,000 per farmer limitation on total payments. This was adopted by the Senate in the form of an amendment to the bill reported from committee. The current program, the Agriculture Act of 1970, limited payments to $55,000 per person per crop.

It remains to be seen what will be done on the limitation issue by the House. But it is historical fact that the House is "tougher" on limitations than the Senate. "So the picture isn't very bright," Johnson concludes.

[The prepared statement of Mr. Johnson follows:]

STATEMENT OF DONALD A. JOHNSON, EXECUTIVE VICE PRESIDENT, PLAINS COTTON GROWERS, INC., LUBBOCK, TEX.

If you are not familiar with our organization, Plains Cotton Growers, Inc. is an organization representing some 23,000 cotton producers and allied businessmen in the 25-county area surrounding Lubbock, Texas. These 25 counties annually produce over 15 per cent of the cotton produced in the United States and about half the cotton produced in Texas, along with a high percentage of Texas and U.S. feed grain and a substantial volume of wheat, soybeans and other farm commodities important to our nation's wellbeing. I want to express our appreciation for the opportunity to be here and to thank Senator Talmadge for calling these very necessary hearings. I say very necessary because changes in the current farm law, which has become obsolete in a very short time, are badly needed.

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Before I get into the specifics of our statement, Mr. Chairman, I want to call to the committee's attention a brochure prepared by the National Cotton Council entitled COTTON TODAY, MEASUREMENTS OF AN ESSENTIAL INDUSTRY. I did not have on hand sufficient copies of this brochure to make it an official part of our testimony, but I believe there are a number of copies in the room which can be made available to committee members. I call it to your attention as a means to emphasize the importance of the cotton industry, not just to so-called "cotton people," but to the entire nation and all its people. Our industry is a major employer, a major consumer, a provider of competition among raw fibers and in 1973 contributed 1.3 billion dollars to our country's troubled balance of payments. I hope you will take the time to review these facts in the brochure that is available to you.

My remarks will cover seven categories, including the Commodity Credit Corporation loan program, CCC resale policies, target prices, cotton access to world markets, the disaster program and the Federal Crop Insurance program, research and promotion funding, and forward contracting. Obviously, time will not permit a full discussion of all these subjects at a single sitting, so my remarks will be concentrated in those areas where we feel the need for legislative change is most immediate and most important.

COMMODITY CREDIT CORPORATION LOAN PROGRAM

A CCC loan program, properly administered, can accomplish two things, both of which are of utmost importance to the cotton industry and the nation and should be primary objectives of the members of this committee. First, it can provide an effective marketing tool for producers as was originally intended, and thereby do much to restore the viability of a vital U.S. industry. Second, it can protect the government against excessive costs. Unfortunately, the loan program now in effect cannot accomplish these objectives. The loan level is now too low, the interest on loans is too high, the term of the loan is too short, and as now being administered the loan level is not finalized until far too late in the crop year.

When the loan is at 34 cents per pound and the cost of production is 52 cents per pound, as is the case for 1975, the financing arrangements available to producers will not permit use of the loan in most instances. In addition, one of the most immediate and perplexing problems facing most producers in 1975 is that of getting financed for the coming crop, and a loan at 65 per cent or so of the cost of production is of no help, particularly when it is not finally announced until after the entire crop has been planted as happened last year and as it appears will happen again this year.

When the term of the loan is only 10 months, producers cannot hold cotton long enough to bridge the gap between one marketing year and the next or between periods of slack demand such as we are now experiencing and the time when market demand recovers. No better example of this point can be given than the situation in the current marketing year. Some producers put cotton into the loan in July of 1974 and those loans will be called on the first day of May this year, which is well before any expectations of market recovery. If, however, these producers had the option of holding this cotton for another 18 months, there is every reason to believe that markets and prices would recover, at least enough to permit them to recover production costs.

When the interest rate on loans to cotton producers is over 9 per cent as is now the case, the use of the loan as an orderly marketing tool is further impeded.

It is therefore our recommendation that the level of the loan be raised to between 40 and 42 cents per pound; that it be firmly announced no later than November 1 of the year preceding the crop year; that the term of the loan be increased from 10 months to 28 months, and that interest on Commodity Credit Corporation loans be no greater than 6 per cent.

A 42-cent loan, only 80% of present U.S. production costs, is not so high as to greatly encourage cotton production in foreign countries or even by the more inefficient producers of this country. Nor is it so high as to put cotton at a competitive disadvantage with synthetic fibers. Further, it is our opinion that a loan can be set at that level under the terms of the law as now written. But it will obviously not be set at 40 or 42 cents except by mandate of Congress, and we urge you to provide such a mandate.

A 28-month loan, at a realistic level and bearing a more reasonable interest rate, would help to alleviate one of the cotton industry's most debilitating problems, that of widely fluctuating prices. A long-term loan will not solve this problem entirely,

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of course, but it can, and we believe will, serve to even out peaks and valleys of supply to an extent that there will be less likelihood of the wild price gyrations seen in the 1973–74 and 1974–75 marketing years. I cannot overstress the importance of this mechanism to bring some measure of stability into cotton prices. Without it, all our efforts to recoup or even retain markets are severely handicapped. It is perhaps the industry's greatest need of the hour.

As I said before, a more realistic loan level will help to hold down the cost of the program by holding the average price of cotton in closer proximity to the target price. In other words, with a higher loan level, any payments that may become necessary under the law will be smaller payments.

CCC RESALE POLICIES

In order for the above recommendations to be effective, it is also necessary that CCC follow resale policies which will keep CCC stocks from competing for markets with grower-held stocks except under circumstances of extremely short supplies. If growers are to use the loan as a means to hold cotton for market recovery, then market recovery must not be stopped or retarded by the release of government-owned cotton at low prices.

It is therefore our recommendation that Commodity Credit Corporation stocks not be released at less than 130 per cent of the then current loan price.

TARGET PRICE

The target price for cotton should be high enough to reflect the tremendous increases in production costs since 1973. The 38-cent target price which the law now calls for in 1975 is totally inadequate in view of the fact that the cost of producing cotton has increased from about 33 cents in 1973 to around 52 cents in 1974 and will most likely be even higher in 1975. Congress recognized, to an extent, when the present law was written, that increases in the cost of production input, wages, taxes and interest would probably necessitate an increase in the target price. That was the reason for the "escalator clause" in the present law. However, the impact of this "escalator clause" is not due until 1976. Frankly, economic developments have been such that cotton producers are in no position to wait until 1976 for the price protection that the law envisioned.

It is our recommendation that the law be changed to set the 1975 target price at a level reflecting the increased cost of production from 1973 to 1974, which we think should set the target in the range of 48 to 50 cents per pound.

ACCESS TO WORLD MARKETS

It is our hope that this committee and the Congress will steadfastly resist any and all measures which would restrict the export of cotton to foreign markets. This would include all forms of export control, whether instituted under the name of export licensing, export reporting, or some other title. The cotton industry simply cannot survive on a significant scale if it is forced to rely on domestic consumption alone. We have land, equipment and processing industries geared to the production and handling of an average 12 to 15 million bales of cotton per year and reducing this volume to 6 or 7 million bales per year would be absolutely disastrous. The building of foreign cotton markets is a long-term proposition on which both government and the industry have spent millions of dollars over the years. These dollars will have been wasted if an when government control of exports ruins our reputation as a dependable supplier of raw fiber to our foreign customers.

DISASTER PROGRAM AND FEDERAL CROP INSURANCE

Some of you on this committee were instrumental in getting provisions for disaster payments into the current program, and you no doubt continue to recognize the need for these provisions. Simply stated, the disaster program is designed to repay producers for a portion of their production costs on those years when crops are greatly damaged or destroyed by natural disaster. Unfortunately, the current administration has manipulated this program in such a way that it has not fully served its purpose. I will not go into detail, but USDA by its own admission has administered the program in such a manner as to keep disaster payments at an absolute minimum. As a result, thousands of producers who suffered true disasters in 1974 as the result of hail, drought, flood or other weather-related factors, have been denied the financial relief that was intended by Congress. This is neither the time nor place to discuss specific language which should be in the law to prevent this type of circumvention, but it is our hope that any

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revision of the law will include language to assure that the intent of disaster provisions will be met. Disaster provisions, too, along with the loan, can be and should be an important aid to producers in securing crop financing.

In a related area, the administration has expressed its intention to shift disaster protection from the Farm Law to the Federal Crop Insurance Corporation. It is our contention that the FCIC structure and format will need to be drastically altered by Congress before FCIC can even begin to provide the protection needed by producers and intended by Congress when the disaster provisions of the 1973 Act were written. FCIC coverage, where available, is not adequate; federal crop insurance is not even available on crops in thousands of U.S. counties, and the present 12 million dollar limitation imposed by Congress on administrative costs in the program would effectively prohibit the necessary expansion. For these reasons, we would strongly object to eliminating disaster provisions of the law and expecting FCIC to fill the gap. We do recognize that substantial changes need to be made in the FCIC program even if it is to be used as in the past, and we would hope to have a substantial input into the deliberations when such changes are considered.

FORWARD COTTON CONTRACTING

As regards forward contracts for the purchase of cotton, this mechanism can be extremely useful as a means to assist producers in securing production loans and in assuring adequate production of cotton to meet domestic and foreign requirements. However, too often in the past the mechanism has broken down because of failure, either by buyers or sellers, to honor contract terms under volatile market conditions.

For this reason we would like to see legislation providing for the development, with government assistance, of a program under which all parties to forward contracts would be protected against default.

RESEARCH AND PROMOTION

The National Research and promotion program for cotton, now underway in the hands of Cotton Incorporated, is one of the industry's greatest hopes. Significant progress is being made in the areas of high cotton content blends, flame retardant fabrics, permanent press, byssinosis, and other areas in which cotton must move forward if it is to compete effectively against synthetic fibers. The returns to the cotton industry and to consumers from this work promise to far outweigh the cost involved. Section 610 of the law provides that Commodity Credit Corporation will assist in the funding of this program in the amount of $10 million per year. In recent years this amount has been cut in appropriations bills to $3 million, which is a level far too low. In addition, producers fund the program at the rate of $1.00 per bale. We would hope that this committee will go on record as supporting this vital program and supporting as well its continued partial funding from Commodity Credit Corporation funds.

In summary, you are aware, I know, that producers are being called upon for increased production and that we are expected to finance this production, to a much greater extent than under previous farm programs, with returns from the marketplace.

We want to answer this call for greater production, and we are eager for a satisfactory return from the marketplace. But there are times, such as the year 1974 in the cotton market, when adequate returns are not attainable. And it is at such times that we need a farm program.

We need a workable loan program to bridge the periods of excess production or slack demand. We need a disaster program to soften the blow of weather hazards. We need a realistic target price to serve as a last resort when, despite wise use of the loan and other marketing efforts, market prices still fail to equal production costs.

In today's agricultural economy these elements of a farm program—a higher and more workable loan, realistic target prices and an effective disaster program—are nothing more nor less than essential production tools. Tools without which the necessary production loans and investment of private capital may not be made. Tools without which there can be no assurance of continuously adequate supplies of agricultural commodities for human consumption.

If there are questions, Mr. Chairman, I will be happy to hear them.

Senator ALLEN. We are going to recess until 1:30. I will not be able to be back. The Rules Committee of which I am a member, has some decisions to make on the New Hampshire Senatorial contest

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and I have to attend that meeting this afternoon. I will get back if I can.

The meeting is recessed until 1:30.

[Whereupon, at 1:02 o'clock p.m., the committee was recessed, to reconvene at 1:30 p.m., this same day.]

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

Senator Ford, I want to apologize to you, I didn't know you were waiting to be heard. The Chair now recognizes the senior Senator from Kentucky at this point.

Senator HUDDLESTON. I am delighted to present to the committee my—well, I can't say my junior colleague—but my colleague from Kentucky, the junior Senator from Kentucky, who has, of course, been involved with all kinds of agricultural problems in our State. He was involved while he was Governor and he reinstituted our Governor's Council on Agriculture. One of the problems the Council confronted immediately was the tobacco program and other programs affecting the farmer. He speaks with a great deal of knowledge and experience on the production, marketing, and all other aspects of tobacco in our State.

I think the committee will find Senator Ford's testimony useful in determining just what course we should follow in modifying, adjusting, continuing or acting as is necessary on the tobacco program.

The CHAIRMAN. Senator, you may proceed. If you have any prepared statement, you may summarize it and it will be placed in full in the record.

STATEMENT OF HON. WENDELL H. FORD, A U.S. SENATOR FROM THE STATE OF KENTUCKY

Senator FORD. Thank you, Mr. Chairman.

I appreciate the apology of the Chair, but it was not necessary. I was enjoying listening about the cotton situation, so I could maybe be in a better position to assist the farmers of our area when we have very little cotton in our area, and maybe today we can help those who have very little tobacco in their area.

So I have appreciated this opportunity.

I have said on various occasions that when the agricultural economy of this country is good, the economy of this country is strong. But when the agricultural economy is bad, the economy of the country goes weak. I think we are seeing proof of this situation right now.

Specifically, we are addressing ourselves to a single aspect of agriculture, yet one which is of tremendous importance to a large portion of Kentucky's population, and to the economy of Kentucky as a whole.

Between 1972 and 1975, as Kentucky's Governor, I placed heavy emphasis on those programs which would help farmers realize a net profit.

We reinstituted the defunct Governor's Council on Agriculture; established a farmers' advocate office and placed it in the Governor's office; we established and then expanded the Kentucky Farm Development Authority; and we initiated the State's first comprehensive

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planning study for agriculture potentials and marketing expansion. Prior to that, as Lieutenant Governor, we created legislation which brought about the tobacco research board to provide responsible and thorough study through the tobacco and health research institute. It now performs over 25 percent of all tobacco-health related research in the world.

This brief background leads us to some facts about our agriculture economy. In the last 3 years, Kentucky's farm economy not only moved into its first true $1 billion category, it surpassed that figure by another quarter of $1 billion. Yes, Mr. Chairman, agriculture is vital business in Kentucky, and tobacco is its major cash crop.

But despite all this, the health of burley production is not good. The year 1975 is a period of decision for many of our growers, with the spinoffs affecting countless other areas of our economic society.

The question is simply one of whether or not Kentucky will stop producing over 70 percent of the Nation's burley. The answer, I fear, is equally as simple. Farmers are not going to continue losing money. And this is exactly what so many are doing today—working to lose money.

Labor costs have soared. Fertilizer, tobacco sticks, plants, transportation, irrigation, and other necessities are exceeding levels of income received for the crops sold. There are shortages—of barns for housing, canvass, and fertilizer.

Burley growers must have an increased price support now. Without it, they will not continue an exercise in futility, and I don't blame them. So what happens when insufficient amounts of burley are grown?

I am extremely alarmed over the prospects of burley shortages for blends. This will create an influx of foreign tobacco and synthetic substances, thereby permanently harming Kentucky's major agricultural crop. Inflation, shortages and uncertainty, have placed burley growers in an untenable position. My very real fear is that without increased price support, we will experience both personal hardship to farmers and economic fallout detrimental to the entire State

Many of my sentiments, as well as the seriousness of the situation for Kentucky burley farmers, were effectively summarized in a February 9 article by James R. Russell, farm editor of the Louisville Courier-Journal, and I would like to enter this article into the record.

Senator HUDDLESTON [presiding]. So ordered, and without objection.

[The article by James R. Russell follows:]

[Reprinted from the Courier-Journal & Times Feb. 9, 1975]

1975 IS CALLED "CRITICAL YEAR" AS BURLEY SUPPLIES DIMINISH

(By James R. Russell)

For the fourth straight year, burley farmers have failed to grow enough leaf to meet industry demands and burley supplies, in relation to use, are the lowest since before World War II.

With only the Lexington market remaining open, the crop is estimated to be as much as 35 million pounds under anticipated industry needs.

Still, record prices for the leaf have pushed cash receipts from burley close to $500 million for Kentucky farmers and nearly $700 million for the eight-state Burley Belt.

Preliminary figures from the Tobacco Market News Service put the crop at 610 million pounds for the Burley Belt, with Kentucky farmers marketing about 433 million pounds of the total.

For the belt, the average price per hundred pounds is $113.95, or $21.03 above the previous record high of 1973. Kentucky's average for the 1974 crop is $114.39

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per hundredweight, or $21.05 above 1973, according to preliminary government figures.

Kentucky normally produces two-thirds of the nation's burley. The seven other major producing states are Ohio, West Virginia, Virginia, North Carolina, Tennessee, Missouri and Indiana. Hoosiers produced about 15 million pounds and sold it for an average of $111.92 per hundred pounds.

Small amounts of the leaf are also grown in Illinois, Kansas, Arkansas, Alabama, Georgia and South Carolina.

Since 1971, when poundage production controls were placed on the leaf, the crops have fallen some 300 million pounds short of domestic and export demands.

These supply vacuums have been filled by industry purchases from government stocks. But these stocks are now gone.

Considering the supply and demand situation, industry spokesmen and farmers are calling 1975 "the critical year for burley" and "the year of decision."

If production this year does not keep pace with demand, increased imports of leaf or synthetic tobacco will be substituted for American-grown tobacco, some company spokesmen say. They add that such a move would reduce the percentage of burley in the blend, ultimately cutting the long-range demand for the leaf.

Farmers counter industry arguments with the threat that the crop will not be planted unless prices are substantially higher on the warehouse sales floors in the 1975 season.

The sparring match is being staged in the area of record high prices. And part of the match has been moved to Washington, where legislation has been proposed to increase government price supports above the level that present law allows.

During the past four years, the weather has been the scorekeeper in the supply-demand game. Growers have not deliberately underproduced their crops, farm experts note.

Some tobacco experts believe that adverse weather—a midsummer drought, a wet fall and early freezes—sliced between 40 million pounds and 50 million pounds from last year's crop. And weather is also blamed for the short 1971 and 1973 crops.

The 1971 crop was 80 million pounds below the authorized government production quota, and the 1973 crop was about 113 million pounds short of the quota. The 1972 crop came closest to matching the quota, falling under by only 23 million pounds.

"Weather is always the whipping boy," said Jerry Hill, agricultural meteorologist with the National Weather Service. "Tobacco has a longer growing season, plus a curing season, which makes it more subject to weather vaiations," he said.

"We usually have ample rain in the summer and then a dry fall for curing. I can't see any changes in the weather patterns that would change that," he said, adding that wet autumns, drier summers and record early frosts of the past few years are the usual variations.

Meanwhile, as the weather was playing havoc with the crop yields, cigarette production began climbing toward a record. For the tobacco marketing year 1971–1972 (beginning on Oct. 1 and ending on Sept. 30), burley use came to 570 million pounds.

The following marketing year (1972–1973) the use total went to 610 million pounds and to 620 million pounds for the year 1973–1974.

The estimate for this marketing year (1974–1975) is 635 million pounds. The projected demand for the year 1975–1976 is 650 million pounds, and some tobaccomen believe that the trade could absorb even more.

Last year was the fifth straight year of raising cigarette consumption since the lull ended in 1969, according to U.S. Department of Agriculture (USDA) figures.

A larger portion of the U.S. population has reached the "smoking age," and despite anti-tobacco campaigns, cigarette consumption per capita continues to climb. In 1974, persons 18 years and older each averaged smoking 4,220 cigarettes, or 211 packs, according to USDA figures.

The actual consumption per smoker, of course, is much higher than the per-capita figure because surveys show that only 40 per cent of the U.S. adult population smokes.

"The absolute supply of burley is lower than it has been since 1951, and the supply relative to use is the lowest since before World War II," Robert H. Miller, tobacco program leader with the USDA's Economic Research Service, said in a recent interview.

"The coming crop is a critical one, because companies have built their blends on burley; anything below 650 million pounds would have to be considered a short crop, worsening the situation," he said.

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Miller said that cigarette manufacturers would be forced to reduce the aging period for their leaf and supplement their blends with imported burley.

Burley imports, in fact, are already showing a steady climb, from 10.5 million pounds in 1972 to 88 million pounds last year, Miller said.

U.S. cigarette makers say they prefer the homegrown leaf. "Domestic companies don't want to import tobacco," Stuart Leake, a vice president with R. J. Reynolds Industries, Inc., said. He added that the increase in imports was necessary to fill in the lag in U.S. production.

"I think that this year is a very critical one. If we don't get the burley grown, we'll have to change blends—and blends are as sacred as grandmother's recipes," Leake said in a telephone interview from his Winston-Salem, N.C., office.

The alternative, he said, is to rely more heavily on foreign burley. Leake said that his company has experimented with synthetic tobacco and had found it unsatisfactory. British and West German companies, however, are beginning to market cigarettes with as much as 25 per cent synthetic smoking material in the blend.

U.S. tobaccomen are wary that the synthetics—generally made from wood pulp—will make inroads into the natural leaf market, especially if supplies of the leaf do not improve.

Leake said that a 700-million-pound crop this year would temporarily solve the problem of supply, but that the government production quota would have to be increased consistently in the following years.

George Macon, an executive with Philip Morris, Inc., said that the burley supply is "short, but not yet critical, but it will become critical if the 1975 crop isn't a large one."

However, Macon believes that the record high prices paid for the 1974 crop and the promise of even better prices this year will "get the crop planted."

Under the poundage control program, a farmer may carry forward that portion of his quota that he failed to market in the preceeding years, as long as the accumulated quota does not exceed 200 per cent.

The USDA set the "basic" quota for 1975 at 670 million pounds for the Burley Belt. Considering the carryover quota from previous seasons, the "effective," or actual quota is 777 million pounds.

Some farmers are not so sure that a big crop will be planted this year. Rising production costs, labor shortages and a scarcity of curing barns could limit production, many tobacco growers predict.

But rising production costs—costs that are not being reflected in the government's price support formula—will be the major discouragement, growers and farm organization spokesmen say.

The average price support on the 1974 crop was $85.80 per hundred pounds, with the range running from $65 per hundred pounds for the lowest grade to $90 for the best. The present law will automatically increase the average price support to $96.10 per hundredweight for the 1975 crop. The price level for specific tobacco grades has not been determined.

But even with the increase, the government price supports do not even guarantee production costs, which some predict will run $100 per hundredweight, growers claim.

Taking up the cause, U.S. Rep. Carl D. Perkins, D-Hindman, twice introduced legislation in the waning days of the last Congress to raise price supports. The first bill sought an average of $132 per hundredwight and the second bill $117.

The bills failed to pass the Senate, and Perkins co-sponsored a third bill, early in this session of Congress, again seeking a $117 per hundredweight average price guarantee for the 1975 crop.

The bill has been included in a general farm bill and will be considered during Senate Agriculture and Forestry Committee hearings beginning Feb. 17, U.S. Sen. Walder D. Huddleston, D-Elizabethtown, said in an interview last week.

Huddleston said that he supports the increase, but that the Ford administration opposes it. "In the final analysis, we'll have to determine what we need (price), and then determine if the risk is worth it," he said.

The risk that Huddleston referred to is the possibility that new tobacco legislation will open the door for anti-tobacco lawmakers to attack the entire tobacco program.

In addition to the price support issue, the entire marketing procedure will come under the scrutiny of the Senate Agriculture Committee, Huddleston said.

"Price supports aren't the only problem. The worst problem is the marketing and merchandising of tobacco—it's done the same as it's been done for years," he said.

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Huddleston said an in-depth study will be made of the marketing system, "hopefully before the 1975 tobacco markets open."

The study will ask whether an auction exists on the warehouse floors and if all of the present steps are really needed to prepare and market the crop.

He said that tobacco company officials, warehousemen, auctioneers, and growers will be asked to testify.

Farmers have been critical of the marketing system, especially during the past two seasons, when an allocation system replaced the "true auction."

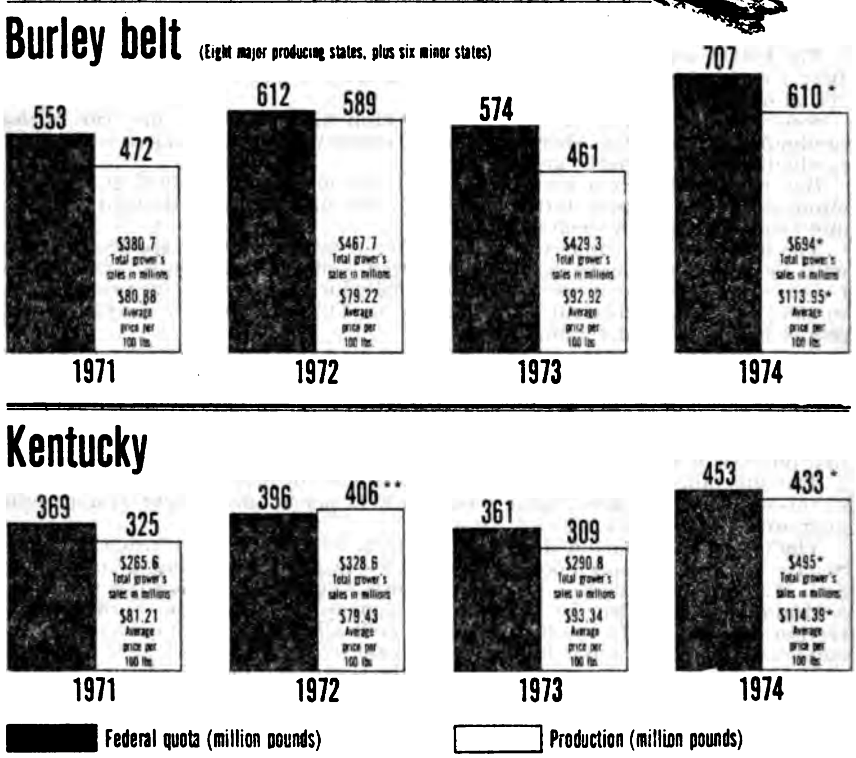
Allocation has been acknowledged by company buyers, auctioneers and warehousemen. This sales method develops when all of the buyers stop at the same top bid and the tobacco is divided among the buyers at the same price. Allocation is usually based on the companies' past buying patterns.

The procedure denies the farmer the top dollar for his crop, a Kentucky Farm Bureau study concluded. While the study did not accuse the companies of price-fixing, it did ask for better marketing methods that would encourage competition for the leaf.

The antitrust division of the Justice Department and an interim legislative subcommittee of the Kentucky General Assembly also are conducting investigations.

Additionally, the USDA is reviewing tobacco marketing and six Central Kentucky burley growers have filed a class-action suit, seeking $3 billion from the major tobacco buying companies.

BURLEY MARKET COMPARISONS



*Preliminary figures.

**Production exceeded quota because farmers are allowed to carry over the portion of their quota that they failed to market the preceding season. Farmers may also market 10 per cent above their quota. However, that is deducted from the next year's quota.

Staff Chart by Herman Wiederwohl

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Senator FORD. Like any other businessman, a farmer has a right to expect a fair net profit for the time, labor and capital he has invested into his operation. It is a recognized fact that the burley tobacco price support program has not kept pace with the rising costs of production. What is needed is a justifiable and more realistic price support which reflects current conditions. Such action would realize the following objectives:

Assure continued production through guarantees of reasonable returns. One immediate problem is that the banks are not going to loan money to the marginal farmers until, and unless, they are assured of a good support price.

Assure adequate supplies of agricultural commodities for markets at reasonable prices.

Protect producers from extreme shifts in markets and prices.

Finally, and perhaps most important in these trying times, is to help insure the stability of our family farms, those small, diversified operations long recognized as the most productive units in society but which in recent years have felt the pinch of severe cost-price squeezes in all areas of their operations—not only tobacco, but also livestock, dairy production, feed and grain crops.

On February 12, the Governor's Council on Agriculture in Kentucky unanimously adopted a resolution supporting increasing price supports to 75 percent of parity.

Mr. Chairman, I recognize that there are those who would use scare tactics against burley tobacco, claiming that there are health factors outweighing any consideration for increased price support. Yet there is no conclusive evidence to date that would support such a move, I repeat that over 25 percent of the research is going on right now in the State that I serve, paid for by the very farmers whose livelihood is in jeopardy. This research is designed to find any impurities, and if discovered, we know that because burley is a pliable product it can be grown out in two seasons—under proper conditions in 1 year. Burley farmers have taken the responsible and responsive approach, and have devoted their lives to providing the food and fiber for this and other nations. We must not succumb to such overtones in denying increased price support because of the ultimate consequences. Anything less is wrong.

Thank you, Mr. Chairman, for allowing me to make these comments to your committee.

Senator HUDDLESTON. Thank you.

Any questions of Senator Ford?

Senator DOLE. No questions.

Senator STONE. One question.

Senator, do you agree with the House Agricultural chairman that 90 percent is about the right parity support?

Senator FORD. I don't want to get into a disagreement with a colleague from Kentucky, but since we had a diversified group of the agricultural community on the Governor's Council on Agriculture, and since they unanimously voted to support and proposed a 75-percent parity, I would have to go along with 75 percent.

Senator STONE. The chairman said anything less than that would be wrong, and would you go along with that statement?

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Senator FORD. Well, I think the chairman from the House said that no less than 75 percent and I think we can hold it at that basis. That would be the bottom line, though.

The CHAIRMAN. Any further questions?

Thank you, Senator. I regret I didn't get to hear all of your testimony——

Senator FORD. Well, I will give you a copy of my statement.

The CHAIRMAN. Fine, and I will read it.

I had an important call that I thought I should take.

The CHAIRMAN. The next witness is John L. Grambling, Jr., vice president, South Carolina Farm Bureau Federation, Columbia, S.C.

Good to see you, sir, and you may proceed. If you desire, your full statement will be inserted in the record, and you may summarize it.

STATEMENT OF JOHN L. GRAMBLING, JR., VICE PRESIDENT, SOUTH CAROLINA FARM BUREAU FEDERATION, COLUMBIA, S.C.

Mr. GRAMBLING. Thank you, sir. I don't believe there are too many committee members here so I will have to address you, sir.

Mr. Chairman and committee members, we appreciate the opportunity to present South Carolina Farm Bureau's views on current farm programs as regards cotton and Flue-cured tobacco.

Farm Bureau is the largest general farm organization in South Carolina, with a membership of approximately 42,000 families representing every county. We have active commodity advisory committees representing every major commodity produced within the State, and our policy is developed through study, discussion, and decision by majority vote at the county and State levels.

This statement today is based on policies adopted by the voting delegates of the member county farm bureaus at our most recent annual meeting held on December 7, 1974. I might add that I am a cotton producer and also a member of South Carolina Farm Bureau's Cotton Advisory Committee.

Our feeling toward Government farm programs as concerns cotton and Flue-cured tobacco is summarized by the following statement:

COTTON

We feel that the target price for the 1975 cotton crop should be adjusted upward in order to take into consideration the rapidly escalating costs of production, which include the increased cost of machinery, labor, fertilizer, insecticides, fuel, and practically every other input.

As you know, the target price for the 1975 crop was 38 cents per pound. This is an unrealistic figure when compared to the cost of production for last year's crop. According to Clemson University economists, average cotton production costs per pound in South Carolina for the 1974 crop, excluding land costs, were as follows: 400 pounds per acre yield, 59 cents; 500 pounds per acre yield, 55 cents; 600 pounds per acre yield, 47 cents. The average yield per acre in South Carolina—1973 figures were the latest available—was 473 pounds per acre.

According to statistics prepared by the Economic and Market Research Department, National Cotton Council of America, produc-

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tion cost per acre on a national level averaged 50.4 cents per pound. The present trend would indicate that the 1975 crop will be more costly to produce.

The Department of Agriculture has been following the practice of announcing a preliminary loan rate for cotton by the November 1 deadline specified in the law, and a final rate shortly before the beginning of the harvest the following summer. We do not believe the Congress contemplated this two-step procedure when it enacted the applicable provisions of the Agriculture and Consumer Protection Act of 1973. We recommend that the preliminary loan rate announced for any crop of cotton be the minimum for that crop year.

At present, cotton which goes under CCC loan must be redeemed within 10 months of entry. We feel that a program which would permit a farmer the right to redeem his cotton from CCC for an additional period of 8 to 10 months would be very helpful in this regard. It would certainly provide a more realistic loan program which would in turn: (1) Promote the orderly marketing of cotton, (2) assist in crop financing, (3) assure adequate U.S. production at competitive prices, and (4) not unduly encourage an increase in foreign production.

Mr. Chairman, we believe that despite the problems of the moment, which were caused largely by outside economic forces, the cotton industry does have several important opportunities for the future. When the economy turns around, fiber demand in the United States will resume its upward trend, and cotton has the opportunity and potential to share in this growth, if Government programs protect farmers' incentives to produce in times when supply temporarily exceeds demand, the condition that now exists. We need and solicit your assistance.

TOBACCO

Flue-cured tobacco is South Carolina's No. 1 cash crop, with cash receipts of more than $178 million for the 1974 season. It is tremendously important to the economy of South Carolina, and we feel that the present tobacco program has proved to be very successful.

Mr. Chairman, I am not a tobacco producer, but at this time would like to enter into the record of this hearing excerpts from a letter, which was sent to members of our congressional delegation from our State president—Mr. Harry S. Bell—which states our tobacco producers members' feeling as to the present tobacco program. I now quote from the above-mentioned letter:

"The Agricultural Act of 1949, as amended, provides that the level of price support for the 1961 and each subsequent crop of tobacco, for which growers have not disapproved marketing quotas shall be determined by multiplying the 1959 crop support level by the ratio of (1) the average of the index of prices paid by farmers for the preceding 3 calendar years to (2) the average index of prices paid by farmers during 1959. Under this provision, the level of support for the 1975 crop of Flue-cured tobacco will be about 12 percent above the 1974 crop support level of 83.3 cents per pound. This would give a 1975 crop support level of approximately 93 cents.

In order to reflect the current cost of production, which we believe to be the intention of the Agricultural Act of 1949, we submit the following options. The "cut off date" for the preceding years could be

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June 30 instead of December 31 with the possibility of using the 2 previous years instead of 3 previous years.

Upon consulting with Dr. Max Lloyd of Clemson University, we have confirmed the results of this recommendation to be as follows:

	per pound
3-year basis ending June 30 (crop support level)	1.00
2-year basis ending Dec. 31 (crop support level)	1.02
2-year basis ending June 30 (crop support level)	1.07

The "cutoff date" may need to be adjusted for administrative reasons, but the date should be as late as possible.

These figures are based on current rate of inflation and any upsurge of inflation from now to June would reflect in higher support prices if a "cutoff date" of June 30 is used. Any of these options would give a "modest increase" in the support price of tobacco. However, if this requires an act of Congress, and if in your opinion you consider any changes would endanger the tobacco program, the preserving of the program should have top priority.

Mr. Chairman, this completes our formal statement. We shall be happy to answer questions and work with the committee in every way possible toward implementing the above stated recommendations.

The CHAIRMAN. I want to congratulate you on a fine statement. Senator Thurmond appeared earlier and testified along the same lines.

Mr. GRAMBLING. Yes, sir.

The CHAIRMAN. Any questions?

If not, thank you, sir.

Has Mr. Brorsen arrived? He is the next witness. The Chair recognizes the distinguished Senator from Oklahoma first.

Senator BELLMON. Thank you very much, Mr. Chairman. I am very proud to have Mr. Brorsen's testimony before the committee today. He is one of the kind of witnesses we need here. He is a family farmer from Perry, Okla., and he is a former State president of the FFA. At the present time he is serving as chairman of the State ASCS Committee.

He has gone to a lot of trouble to get his information from actual farmers around our State as to what the costs of production are, and I believe will be able to give us the kind of information we have such a difficult time getting from the Department of Agriculture about what it really costs to grow these crops.

The CHAIRMAN. That is fine. You may proceed. If you see fit, you may insert your full statement in the record and just summarize it.

STATEMENT OF BART W. BRORSEN, PERRY, OKLA.

Mr. BRORSEN. Mr. Chairman, I appreciate the opportunity to appear before you to present the views of an Oklahoma wheat grower. I hope that you are considering adjusting the target price to reflect the huge increase in cost of production. When the Agriculture and Consumer Protection Act of 1973 was passed, the $2.05 target price for wheat was accepted by farmers as a level that would protect them from financial loss.

Costs have risen so fast that most farmers don't know what their expense to produce a bushel of grain or a bale of cotton really is.

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I have with me receipts and price quotes to illustrate some of the cost of input items for producing my 1973 wheat crop compared to the crop I planted last fall and hope to harvest in June 1975. Diesel fuel for the 1973 crop cost 14.3 cents per gallon compared with 30.5 cents for the 1975 crop. A tractor tire, size 18.4 x 38, 8 ply, cost $186—today its cost is $310. To prepare land for the 1973 crop I purchased a 14-foot offset disc for $1,500; the same disc today is $2,950. The two grades of dry fertilizer used most in our area are ammonium nitrate—33 percent nitrogen which sold for $54 per ton for the 1973 crop, and currently $173 per ton; and ammonium phosphate—18-46-0 sold for $84 per ton for the 1973 crop and $230 for the 1975 crop. This increase in fertilizer cost averages over 300 percent.

Interest rates at the bank for a loan for production expenses was 7 percent in 1972; now it runs 9 to 10 percent. The interest rate on a loan on stored wheat from the USDA was 3.5 percent and this year is 9.375 percent. A summary of the above is as follows:

	1973 crop costs	1975 crop costs
Diesel fuel (cents per gallon)	14.3	30.5
Tractor tire	$186	$310
New 14 ft offset disc	1,500	2,950
Fertilizer 33-0-0 (per ton)	54	173
Fertilizer 18-46-0 (per ton)	84	230

The impact that these increases have on production cost is dramatic. When I recently met with farmers and we figured the actual total expense in growing and harvesting a crop of wheat we were shocked that in such a short time cost had risen so much.

Most of Oklahoma is a continuous crop area with wheat planted in September through November and harvested in early June. In north-central Oklahoma about 90 percent of the total cropland is devoted to wheat. The cost of producing a bushel of wheat in this area was attained through 2 weeks of research. First I contacted the County ASCS Committee, who are outstanding, well-respected men, elected by their fellow farmers. These three men then visited farmers in their county. In a half-day meeting with the members of the county committee, we compiled their information and arrived at an average farm situation in their county. This procedure was followed in five counties: Logan, Noble, Kay, Garfield, and Grant Counties. In addition, I visited with machinery, fertilizer, and fuel dealers. I talked with individual farmers and reviewed my own farm records. The yield per acre used to figure the cost is the county average yield.

Gentlemen, I am astonished to report to you that the price of wheat necessary to cover all production expenses and provide $8,000 for the farm operator for labor, risk, and management averaged $4.31 per bushel.

May I say about that $4.31, we all thought we were doing well at $4.31 a bushel, but when we looked at the cost statements, we discovered this isn't a high price.

I refer you to exhibits A, B, and C [1] of individual counties listed here which are Garfield, Kay, and Logan Counties. You can see the actual expense, beginning at the left-hand side of the upper page.

[1] See p. 668.

The expense of fertilizer is running about three times what it had been even though we cut down on the amount applied. The cost of seed, repairs, fuel, oil, et cetera—and this would include the fuel for the pickup trucks going into town—and just all the things the farmer has to do to operate his business. As to labor, the farmer and his family have done most of the labor on a 700-acre wheat farm, as you see there is only $1,400 worth of outside labor in this case.

Next herbicides and insecticides, well, these do not have to be applied every year, but it is an expense. They only charged $2.50 per acre for this. With the high cost the farmer has invested, 75 percent of those farmers in this area are insuring their crops for hail so that they will have some money back to farm again in case the crop is hailed out.

Now we included the insurance costs the farmer has on his farm, his ad valorem tax, his truck license tags and his interest expense at the bank. In this particular county the rate was 9 percent. In some counties it is 10 percent. The operator's investment was figured at 7½, which is the only item I see here that some people might question, whether you count the owner's investment in his business. And to that I would say if he borrowed all this money, we would be happy to count it; if he had his machinery leased, we would be happy to count his machinery rental; if he worked for somebody else, you see, he wouldn't have to have 30 years of his life's savings invested with them in order to have a job.

Machinery depreciation was figured at 10 percent of the actual current value of his machinery as replacement cost and charged in for the expense of that year. Even though he has a combine, on a 700-acre farm, he still hires some wheat custom harvested, which is customary due to the high weather risk in the area.

You may be like the farmers who participated in compiling these costs, not a single one of us had any idea that expenses have increased so much. It is hard to believe. As you see from the individual items that make up the total, the cost here at the bottom of the page is realistic.

For instance, the value placed on machines are current selling prices that could be easily attained or exceeded.

The present target price levels do not live up to the intention of the act of 1973. If the target price was correct when it was conceived and set at $2.05 per bushel then it could be justified to exceed $4 today.

I consider raising target prices and changing the level of loan rates to be two separate issues. I would not want to see a high loan level set for Government loans on grains and cotton. I feel this would return agriculture to the cheap prices and controls of a few years back. I would favor a low interest rate for loans on stored crops and storage facility loans. This would help the farmers to carry the reserve stocks. I hope the Government does not get back into controlling enough supplies to threaten the market every time it might raise a little.

The disaster payment provisions contained in the act of 1973 have helped many farmers this year. With weather acting up all across the Midwest and Southwest parts of our Nation the disaster provision was tried and proved to be of assistance to the farmer

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affected by natural disaster. Serving as State chairman of the Oklahoma ASCS Committee, I have observed two changes needed in the disaster provision. Currently a farmer who produces a 60-percent normal crop receives a payment on the difference between the 60 percent and 100 percent of the farm's normal crop. This compares to a neighbor farmer who produces 68 percent of the normal crop and receives no payment.

Sixty-six and two-thirds of normal is the trigger point, and this is fine, but let's change procedure to only make a payment on the difference on what a farmer produces and 66⅔ instead of the present 100 percent.

If target prices were raised that would correct the second problem—to let payments more nearly reflect present production cost.

Mr. Chairman, may I say that I heartily agree with the principles established by the Agriculture and Consumer Protection Act of 1973. We have a farm program that makes good farm prices to the advantage of both the Government and the producer. If target prices reflect production costs.

Mr. Chairman, this concludes my remarks on suggested changes for Federal farm legislation. I would be pleased to respond to any questions you or members of the committee might have at this time.

The CHAIRMAN. Fine, and thank you for an excellent statement.

I think your testimony as well as the previous witnesses' testimony has proved that the target price in the present law, under the loan levels, is completely unrealistic.

You favor continuation of the target price and loan program; do you not?

Mr. BRORSEN. Yes; I think the target price program has the possibility of being the best thing we ever had. If target prices are set reasonably, I can see that some of the Government actions that have been taken recently in controlling the sales of wheat to other countries might not have taken place if those making those decisions would have realized that, well, if the price gets too low, the Government will have to make up the difference on the target price. So I think they will do a better job of selling our products involved and keeping our markets open.

The CHAIRMAN. Did you hear all the cotton farmers testifying this morning?

Mr. BRORSEN. Only two or three, sir.

The CHAIRMAN. Most all of the testimony was to the effect they thought the target price level should be at or about the cost of production and that the loan levels should be somewhat below that so that the product would flow into the channels of commerce. I judge from the thrust of your testimony that you are thinking along that line?

Mr. BRORSEN. Yes; I think the loan level should be substantially below the target price where it is only used as a marketing tool and not as a market.

The CHAIRMAN. I would agree with that. We don't want to accumulate large stocks of agricultural products in warehouses such as we had for many years. It was very expensive to the taxpayers to carry and very depressing to agricultural producers on their prices.

Thank you, sir. Any questions? Senator Bellmon.

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Senator BELLMON. Mr. Chairman, I would also like to express my appreciation for his coming and giving us the information which I know he gathered at great personal effort. I notice in your conclusions here you have cost with no return to the operator and then cost based on different levels of return. In your working with these farmers, do you get the feeling that they expect the target price and returns at just the cost of production or do they expect the target price and returns as something for them to live on?

Mr. BRORSEN. I think most of them would be pleased with the target price that would bring back their cost of production. Before figuring this up, I think most of us thought $3 a bushel would take care of our costs and bring in a little return. We found it is going to take $3.60 or $3.70 to bring our costs back. We hadn't recently done a good enough bookkeeping job as farmers to know what the cost is.

Senator BELLMON. So as far as you are concerned, sir, this information is provided for guidance but the figure you are really suggesting is the first one there, that is, the cost with no return.

Mr. BRORSEN. With no return to operator for labor, risk, and management.

Senator BELLMON. I notice also you have values on equipment. Now, are those replacement values or costs for this equipment?

Mr. BRORSEN. No, these would not be the new price; they would be 40 or 50 percent short of new price. The machinery listed here is what we considered the average farmer has on his land. He would have some 1960 and 1970 model machinery and some 1950 machinery and even one list had a 1947 truck on it. It is the actual machinery out there at the price it would bring today.

Senator BELLMON. So if we were to be realistic, that figure should probably be raised somewhat?

Mr. BRORSEN. Well, it varies from farm to farm and doesn't near reflect the new price, no. We charged off 10 percent of this a year, you see, and a farmer who, 10 years ago, bought a tractor for $5,000 and put away $500 a year for 10 years, well, he couldn't go and replace the tractor today with a new one the same size.

Senator BELLMON. Based on what you have said here about not wanting the Government to accumulate stocks of grain, do you have a feeling about setting up a strategic reserve?

Mr. BRORSEN. I suppose reserve stocks are needed, but I don't see any way that the Government itself could own these and handle them without it being a depressing thing over the market all the time. History indicates that in all the stocks the Government has had they generally release them before the real emergency gets here. They release them when the price starts up for one reason or another. If we had some way that the farmer could store and keep the stocks of his own without it costing too much—and right now at 9 or 10 percent interest it is pretty expensive to keep wheat stored on the farm.

Senator BELLMON. So you would not oppose a reserve of storable farm commodities as long as they stayed on the farm under the control of the producer?

Mr. BRORSEN. As long as they stayed under the control of the producer, no. I think if they stayed under his control, they would be all right. They would be good.

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I think we need some reserve and I think producers and the trade itself are willing to carry some reserve. Personally I have some wheat in the bin. I am not worried about it being there

The CHAIRMAN. Any further questions?

Well, thank you very much.

[The following tables were referred to on p. 659.]

GARFIELD COUNTY, OKLAHOMA—700-ACRE WHEAT FARM; 30-BUSHEL-PER-ACRE COUNTY AVERAGE YIELD, RENTED LAND WITH LANDOWNER RECEIVING 1/3 OF THE CROP FOR RENT

ANNUAL EXPENSES

	Amount
Fertilizer: 60 pounds N from NA_3 at $9 per acre, 75 pounds 18-46-0 at $8.81 per acre	$12,467
Seed: 700 bushels at $5.25	3,675
Repairs: 700 acres at $3 per acre	2,100
Fuel, oil, and grease: 700 acres at $3.25 per acre	2,275
Labor:	
One person hired for 4 months	1,400
Employer's social security tax	81
Spraying: Herbicide and insecticide—Average per year, $2.50 per acre	1,750
Insurance:	
Hail—$35,000 coverage at 8 percent	2,800
Machinery storage building and contents—$57,000 coverage	460
Farm liability	70
Truck and pickup liability	125
Ad valorem tax	950
Truck license tags	55
Capital costs:	
Interest at bank (9 percent on $58,351)	5,252
Operator's investment ($58,351 at 7.5 percent)	4,376
Machinery depreciation and replacement (10 percent per year)	8,850
Custom harvesting 300 acres at 9-9-9	3,780
Total expenses	50,466

MACHINERY INVENTORY

No.	Year Model	Description	Current value
1	1972	150 hp diesel tractor	$16,000
1	1963	100 hp diesel tractor	6,000
1	1953	40 to 50 hp tractor	1,000
1	1973	3/4-ton pickup	2,000
1	1947	2-ton truck	500
1	1959	2-ton truck with lift	2,000
1	1974	do	9,000
1	1970	20 ft self-propelled combine	15,000
1	1974	22 ft off-set disk	6,000
1	1972	24 ft chisel plow	3,000
1	1974	36 ft wheel-type springtooth	2,500
1	1972	6 to 18 in semimounted plow	2,000
1	1962	4 to 16 in drag plow	400
2	1967	10 to 10 grain drills	2,000
1	1973	Dozer blade	600
1	1973	20 ft sweep plow with picker and NH_3 applicator	4,500
3	1972	Fuel tanks, trailer and pumps	750
1	1973	3,000 bushel steel storage bin	2,000
1	1969	1,000 bushel steel storage bin	500
1	1958	do	500
1	1973	6 in to 34 ft transport grain auger	500
1	1972	Dril, fill auger system	200
1	1960	12 ft grain auger	50
1	1969	Machinery storage structure	7,500
		Tools, oil, and shop inventory	4,000
		Total	88,500

Income—14,000 bushels of wheat:	
Cost per bushel with no return to operator, labor, risk, and management	3.60
Cost per bushel with $8,000 return to operator	4.17
Cost per bushel with $10,000 return to operator	4.32
Cost per bushel with $12,000 return to operator	4.46

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LOGAN COUNTY, OKLA.—600-ACRE WHEAT FARM; 28-BUSHEL PER ACRE COUNTY AVERAGE YIELD RENTED LAND WITH LANDOWNER PAYING ⅓ OF FERTILIZER COST

ANNUAL EXPENSES

	Amount
Fertilizer: ⅔ of $20 per acre	$8,000
Seed: $6.25 per acre	3,750
Repairs: $3.50 per acre	2,100
Fuel, oil and grease: $3.50 per acre	2,100
Labor	1,100
Spraying: Herbicide and insecticide—average per year $5 per acre	3,000
Insurance:	
Hail—$30,000 coverage at 8 percent	2,400
Machinery storage building and contents, $6,000 plus $31,000 coverage	250
Truck and pickup liability	100
Farm liability	110
Advalorem tax	750
Truck license tags	45
Capital costs:	
Interest at bank (10 percent on $42,340)	4,234
Operator's investment ($42,340 at 7.5 percent)	3,176
Machinery depreciation and replacement (10 percent per year)	6,430
Custom harvesting 200 acres at 8-10-10	2,400
Total expenses	39,945

MACHINERY INVENTORY

No.	Year model	Description	Current value
1	1972	125 hp diesel tractor	$14,000
1	1968	40 hp diesel tractor	2,000
1	1970	16 ft self-propelled combine	14,000
1	1962	2-ton truck, with hydraulic lift	3,000
1	1963	do	3,000
1	1959	½-ton pickup for fuel	1,000
1	1972	¾-ton pickup	2,600
1	1974	14 ft offset disk	2,750
1	1973	6 to 16 semimounted plow	2,400
1	1965	13 ft chisel plow	1,000
1	1970	28 ft foldup springtooth	1,000
1	1970	14 ft tandem disk	1,000
1	1968	15 ft rotary hoe	700
1	1972	20-8 drill with fertilizer attachment	3,500
1	1973	10 ft dirt mover	500
	1972	800 gallon fuel storage and pumps	500
1	1972	Machinery storage building	6,000
1	1970	3,000 bushel grain storage	2,250
1	1972	34 ft transport auger	400
1	1973	Drill fill auger	200
		Tools, oil, and shop inventory	2,500
		Total	63,300

Income—11,200 bushels of wheat:	
Cost per bushel no labor or management return	3.56
Cost per bushel with $8,000 return for labor and management	4.28
Cost per bushel with $9,000 return for labor and management	4.37
Cost per bushel with $10,000 return for labor and management	4.45
Cost per bushel with $11,000 return for labor and management	4.54
Cost per bushel with $12,000 return for labor and management	4.60

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KAY COUNTY OKLAHOMA—500-ACRE WHEAT FARM; 34-BUSHEL PER ACRE COUNTY AVERAGE YIELD RENTED LAND WITH LANDOWNER RECEIVING ⅓ OF CROP FOR RENT

ANNUAL EXPENSES

	Amount
Fertilizer—100 lb 18-46-0 fall, 40 lb actual N in spring at $22.09 per acre	$11,045
Seed—$6.50 per acre	3,250
Repairs—$3.50 per acre	1,750
Fuel, oil, and grease—$4 per acre	2,000
Spraying, insects, and weeds—$3 per acre	1,500
Labor hired	1,500
Insurance:	
Hail and fire on crop ($45,285 at 7 percent)	3,170
Machinery storage building and contents	400
Farm liability	125
Truck and pickup	200
License tags	33
Advalorem taxes	600
Capital costs:	
Interest at bank (10 percent on $45,061)	4,506
Operator's own money ($45,051 at 7.5 percent)	3,379
Machinery depreciation and replacement cost (10 percent of value)	6,455
Custom harvesting 200 acres at 10-10-10	2,960
Total expenses	42,873

MACHINERY INVENTORY

No.	Year model	Description	Current value
1	1973	125-hp tractor	$15,000
1	1969	80-hp tractor	4,500
1	1967	16-ft combine	12,000
1	1956	2-ton truck with lift	2,000
1	1967	do	5,000
1	1973	¾-ton pickup	3,000
1	1971	14-ft offset disc	2,000
1	1965	Tandem disc—12 ft	500
1	1973	5 to 16 semimounted plow	2,000
1	1969	4 to 16 drag plow	550
1	1969	12-foot chisel plow	800
1	1966	18-foot field cultivator	500
1	1974	30-foot wheel-type springtooth	2,000
2	1968	16-8 grain drills with fertilizer	2,000
1	1968	Drill hitch	300
		1,100-gallon fuel storage and pumps	500
1	1970	3-part blade for tractor	200
1	1970	Dirt mover	500
		Machinery storage structure	5,000
1	1960	1,000-bushel grain storage bin	600
1	1972	3,000-bushel grain storage bin	2,500
1	1973	34-ft long 6-in transport grain auger	400
1	1972	Drill fill auger and other augers	200
		Tools, oil and shop inventory	2,500
		Total	64,500
		Income—11,335 bushels of wheat:	
		Cost per bushel with no return to operator, labor, risk, and management	3.78
		Cost per bushel with $8,000 return to operator	4.48
		Cost per bushel with $10,000 return to operator	4.66
		Cost per bushel with $12,000 return to operator	4.84

The CHAIRMAN. Our next witness is Mr. William A. Baxter, president, Agricultural Council of Arkansas, Dermott, Ark.

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STATEMENT OF WILLIAM A. BAXTER, PRESIDENT, AGRICULTURAL COUNCIL OF ARKANSAS, DERMOTT, ARK.

Mr. BAXTER. Fine, and thank you, I am accompanied by Mr. Cecil Williams, who is executive vice president.

The CHAIRMAN. Delighted to have you.

Mr. Chairman, my name is W. A. Baxter. I am a cotton, rice, and soybean farmer from Dermott, Ark. I appear before you today on behalf of the Agricultural Council of Arkansas. The council represents agricultural and agribusiness interests in eastern Arkansas. It is my privilege to serve as president of ACA.

Almost all farmers in eastern Arkansas produce either cotton or rice as their basic crop. Soybeans in most cases is the secondary crop for both cotton and rice growers. Some farmers produce all three crops. These crops are very closely related. Consequently, we'd like to discuss cotton, rice, and soybeans. We'd also like to refer to export controls and Government aid in financing farmers who experience natural disasters.

Mr. Chairman, 1974 was the first year for cotton farmers to operate under the target price concept. Unfortunately, circumstances rendered the program obsolete before the first crop could be planted. Following a profitable year in 1973, when it appeared farmers had finally achieved economic parity with other segments of our population, 1974 cost of production inputs skyrocketed. Poor weather conditions resulted in low yields. The economy turned sour and the textile industry experienced recession on a worldwide basis. This resulted in prices falling to a level well below the cost of production. So, the shakedown cruise for our new cotton program was rocky for Arkansas cotton growers. However, we can still find much merit in the target price approach.

Farmers are delighted with the freedom allowed under the target price approach to plant whatever crop seems most profitable for their operation. They like obtaining their income from the marketplace. They believe it to be in their best interest and the best interest of consumers to allow crops to shift to areas where they can be grown most efficiently. It places no restrictions on plantings and thus allows producers to respond more rapidly to consumers needs.

Major problems with the program are the low loan level and low target price. If farmers are to prosper under this program with such low support levels, supplies must remain scarce in order to guarantee high prices. Short supplies or the fear of short supplies often results in ridiculously high prices. Producers seldom enjoy full benefit of sky-high prices. Witness the case of 1973 when cotton rose to 90 cents per pound. Most Arkansas farmers received an average price of less than 40 cents per pound for their cotton. Naturally, the high prices paid by textile mills resulted in high prices to consumers for finished goods. Though prices for raw cotton have subsequently dropped below the cost of production, prices for textile goods have not declined in a like manner and are not likely to do so.

Mr. Chairman, what we, farmers, spinners, and consumers, need is a cotton program which will provide stability. Each time we go through one of these high price, low price cycles we all lose. Farmers lose because the low side of the price cycle results in some being forced

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into bankruptcy or at least having to give up farming. The textile industry loses because they are forced to switch to other fibers which is costly to them. It also results in lost markets for farmers. And consumers lose because prices seldom drop once they have gone up.

Gentlemen, we believe the Agriculture and Consumer Protection Act of 1973 can be made to serve both farmers and consumers with some fine tuning. Therefore, we offer the following recommendations which we feel will increase stability and improve the act.

We specifically recommend:

1. A target price for cotton that reflects inflation and the sharp increases in production costs with escalator provisions that include increases in costs incurred in 1974. The level proposed in S. 2005 or the level suggested by the chairman both sound reasonable to us.

2. A CCC loan program for upland cotton should be maintained at a level which will reflect 90 percent of the average production cost of U.S. cotton for the preceding year. USDA should keep production cost figures as current as possible and at least on an annual basis. A loan level at the proposed rate would tend to stabilize production and prices and would be especially helpful to large growers in long-range planning and in obtaining production financing from year to year. We oppose a loan level high enough to make it profitable to produce for the loan. This would cause overproduction and thwart the intent of the law.

3. Language which would make it perfectly clear to USDA personnel that CCC has authority to extend cotton loans beyond the 10-month period specified in present law. CCC regulations should be revised so as to provide producers an opportunity to maintain cotton in the loan for an additional 8 months.

4. That the final loan rate be announced prior to November 1 of the year preceding the marketing year for which the loan is effective. Farmers cannot intelligently make planting decisions if they don't know what the loan rate will be until the crop is almost ready for harvest. And lending agencies cannot make prudent decisions about crop financing if the loan level is not to be final until August 1.

5. Interest rates on CCC loans should be set at levels low enough to encourage farmers to use the loan for orderly marketing.

6. Modification of the Farmers Home Administration programs to make them responsive to the needs of farmers of all sizes who suffer crop disasters. Many Arkansas farmers are having great difficulty obtaining crop financing for 1975. Our normal lending agencies tell us that FHA is of very little help in the present situation.

Mr. Chairman, we are not at all interested in a target price for soybeans and are definitely opposed to the acreage controls and other restrictions which must accompany target price. However, we do strongly recommend the reinstatement of a loan program for soybeans related to a percentage of the cost of production and feel that a soybean loan program should be an annual requirement. This would greatly enhance orderly marketing and aid in production financing. It would result in more stable prices and would benefit both grower and consumer. Our lending agencies tell us they would be much more willing to finance soybean production if there were a floor under the price.

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Embargoes and controls on the export of farm commodities are disastrous to American agriculture and we are adamantly opposed to such actions. It is bitterly disappointing to farmers to be encouraged by their Government to produce to the maximum and then be denied a portion of the market Government by decree. In the long run, it is hurtful to consumers because resultant low prices either force farmers out of business or to curtail production.

In addition, a group of European oilseed crushers who were in Memphis last week told of the unsettling effect the soybean embargo of 1973 and the cancellation of the 1974 grain sale to Russia had on world trade. Not only did it shake their confidence in America as a reliable supplier of agricultural products but it established a precedent for smaller nations to cancel contracts and point to the action taken by the United States by way of justification.

Mr. Chairman, the one link needed to allow Southern agriculture to achieve maximum efficiency is a target-price-type program for rice. For example, there are thousands and thousands of acres of land in the traditional cotton areas of Arkansas ideally suited to the production of rice. In most instances the farmers tilling this soil already have much of the heavy equipment needed to produce rice and in almost all cases an abundant supply of underground water is available at relatively low cost compared to the old producing areas. Many non-rice allotment holding Arkansas farmers are just waiting for a program which would not prevent them from planting rice once they've made the necessary investment to get into the business.

Agronomically speaking, rice and soybeans and rice and cotton complement each other. And much Arkansas land on which there is presently no rice allotment is better adapted to rice than to any other crop. Therefore, we recommend speedy enactment of rice legislation which would encompass the following points:

1. Amend present rice legislation to embrace the target price programs presently in effect for cotton, feed grains, and wheat.

2. The minimum national rice allotment should be not less than 2,100,000 acres, distributed by the same formula as the 1975 allotment. Target price should be available to all allotment holders on their allotted acreage.

3. Allotment holders should be required to plant their acreage or release it in order to maintain history.

4. The annual target price should be set at not less than 65 percent of parity.

5. The loan level for rice should be set at not less than 65 percent of target for the year in which the loan is set. The loan level should be irrevocably established each year before the crop is planted.

6. Sale and lease of rice allotments should be permitted throughout the United States without regard to political boundary. A history of rice production should not be a prerequisite for purchase or lease of rice allotments.

7. History should not be accrued for the production of rice above the farm allotment.

8. Production payments, when necessary, should be computed by multiplying the allotment acres times the farm payment yield times the payment rate. We recommend the payment yield be based on a 3-year moving average. During the first year of the program, payments should be based on actual yields.

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Second year payments should be computed by averaging actual yields for the first and second years of the program and third-year payment yield should be calculated by averaging the actual yields for the first 3 years of the program.

Gentlemen, we believe the time has come to put all major crops on equal footing and give farmers the opportunity to plant whatever crop or combination of crops might be best suited to their situation. It would lead to added efficiency and profits for rice producers. And it would lead to more stable supplies and prices of a basic food item for low-income American families. We, therefore, ask your favorable consideration for a rice program containing the points listed above.

The CHAIRMAN. Mr. Baxter, that was a fine statement.

I noticed you recommended a new program for rice?

Mr. BAXTER. Yes, sir.

The CHAIRMAN. Are all the rice producers in accord on that recommendation?

Mr. BAXTER. No, sir, I would not say all are in accord.

The CHAIRMAN. How is it split?

Mr. BAXTER. My understanding is that the western people, the people in Texas, California——

Mr. WILLIAMS. Louisiana.

Mr. BAXTER. Do not favor this.

The CHAIRMAN. But Arkansas favors your recommendation?

Mr. BAXTER. I would think the majority of the people in Arkansas do, yes.

The CHAIRMAN. What about Alabama?

Mr. BAXTER. No, sir.

The CHAIRMAN. Texas?

Mr. BAXTER. No, sir.

The CHAIRMAN. California?

Mr. BAXTER. No, sir.

The CHAIRMAN. Any questions? Senator Bellmon.

Senator BELLMON. I noticed that you are recommending, Mr. Baxter, that the USDA keep production cost figures upon which we could base our target price. Do you think the USDA knows how to figure cost of production?

Mr. BAXTER. Sometimes you begin to wonder, sir.

Senator BELLMON. Well, I am serious. Maybe we need to look to the State agricultural extension stations, or maybe some grower group or somebody to do it. The USDA has a slight vested interest in this business, you know.

Mr. BAXTER. I agree with you. At the time we adopted these, the USDA was talking about 44 cents. I think now it has gone up, if I am not mistaken, and they have upgraded it——

STATEMENT OF CECIL WILLIAMS, EXECUTIVE VICE PRESIDENT, AGRICULTURAL COUNCIL OF ARKANSAS, WEST MEMPHIS, ARK.

Mr. WILLIAMS. About 52 cents is what they are estimating in 1974 at the present time.

Senator, there are some private groups who offer computerized accounting systems, and I would think in the years to come it would be sophisticated enough so as to be an excellent method of obtaining some fairly accurate figures, but right now you don't even know

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what goes into these cost figures, and what USDA puts into them or what your land grant colleges or anybody else does.

Senator BELLMON. But there shouldn't be such a difficulty. These shouldn't be hard to establish. There are lots of farmers I think who would gladly open up their accounts and let anybody know what the costs really are.

Mr. BAXTER. I agree.

Senator BELLMON. I am just curious if USDA is the right one to do that. Also, your third point is that you would like to see us have language that makes clear that the CCC has authority to extend cotton loans. We sometimes have problems getting USDA to use those kinds of authorities. Do you suppose we shouldn't require the loans be longer than 10 months? What do you say to that?

Mr. WILLIAMS. Senator Bellmon, just recently an official of the USDA told me it was their opinion that under the act—and I forget, but I guess it was in 1970 when we put the so-called anniversary loan into the act—that this prohibits or precludes extending the cotton loan beyond the 10-month period.

Senator BELLMON. And would you be satisfied if the USDA had the option or would you think that we should set it longer than 10 months?

Mr. WILLIAMS. Well, I think it would be better if they had some direction to set it at a longer period, but——

Senator BELLMON. How long a period?

Mr. WILLIAMS. Well, we are thinking about 18 months.

Senator BELLMON. Eighteen months? Also, you make mention that you would like to see us have a loan on soybeans with orderly marketing, but you don't give us suggestions as to how that loan should be done?

Mr. BAXTER. The soybean people in Arkansas, our group, feel like it should be at a level where you can't grow beans and make a profit, but it will keep you from having a complete disaster.

Senator BELLMON. Would you put a dollar value on it?

Mr. WILLIAMS. Senator, I have asked some people—well I asked them last week about that, and about the lowest figure I heard was \$3.50 a bushel and about the highest I heard was \$4 and some cents. So I would say \$3.50 to \$4.

The CHAIRMAN. Any further questions? If not, thank you very much for your contribution, Mr. Baxter and Mr. Williams.

The committee is very honored to have the distinguished chairman of the Labor and Education Committee of the House, Mr. Perkins. The Chair now recognizes the distinguished Senator from Kentucky.

Senator HUDDLESTON. Thank you. We shall now move into discussion of tobacco——

The CHAIRMAN. There is one further witness to be heard on this morning's business, but he doesn't want to keep the chairman tied up and——

Senator HUDDLESTON. We still have another witness on the cotton program? Well, we will proceed with Congressman Perkins, who I think everybody recognizes as one of the hardest working Members of Congress. He is also constantly working in the best interests of his constituents and has been very much involved in the question of the tobacco program for some time. He has some well thought out proposals relating to the support program.

The CHAIRMAN. You may proceed, Congressman Perkins.

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STATEMENT OF HON. CARL D. PERKINS, REPRESENTATIVE IN CONGRESS FROM THE SEVENTH CONGRESSIONAL DISTRICT OF KENTUCKY

Mr. PERKINS. Thank you very much, Senator Talmadge and Senator Huddleston. First let me state that I appear here after we have received an increase in the quota allotments of 10 percent with the hope—and the farmers are living with the hope—that the support price on burley and flue-cured and all other types of tobacco will be increased to 90 percent of parity.

Now I am not one of these individuals that believe in scarecrows. We can increase the support price to 90 percent parity without doing one bit of harm, one particle of harm, to our exporters or to our tobacco industry, or costing the Government any money, I feel.

We had 90 percent of parity from 1949 to 1960 and at that time we had stocks on loan almost amounting to 2 billion pounds, so it was thought that it would give the program a little more stability if we averaged parity over the previous 3 years' costs in growing the tobacco. Well, at that time we did not have our house in order—we did not have average poundage quotas—but today we have our house in order. First, your flue-cured people got their house in order and we later got ours in order in burley.

And with this poundage quota system you are never going to have any cost to the Government in the future, you see.

Now I am talking about 90 percent of parity. Some people may think that is too high, but I have before me figures on fertilizer, for instance: The retail price of 10–10–15, which was delivered Saturday, was $153.50 a ton. The price on 5–10–15 was $124.50. The price on 33⅓ percent ammonia nitrate was $230 a ton. I am talking about wholesale prices here. Ammonium nitrate in December a year ago was $90 a ton and is up from $90 to $230 a ton.

The cost of growing tobacco has increased more than 200 percent and tobacco in Kentucky is the top money-making crop. It accounts for 39⁶⁄₁₀ percent of the total value of crop production. Tobacco was valued at $485 million in 1974 and the corn crop was second at $333 million and soybeans was third at $226 million; then hay, wheat, grain sorghum amounted to $179 million.

So I am saying that the poundage quota increase is not nearly as important to the growers as an increase in the support price.

The price support for burley tobacco for the past year has been 85.8 cents a pound. If, as the Department of Agriculture has stated, the 1975 support price rises 12 percent the figure will rise to something like 96 cents.

Now those of you who know anything about the crop at all, know that 83.8 cents was not enough for 1974, and that 96 cents will not be enough for 1975.

Tobacco is a labor-intensive crop. It is an expensive crop to grow. The rampant increase of production costs in 1974 removed virtually all chance of making a profit from the culture of tobacco in my area, and I am sure in other areas too.

Some growers, I am sure, lost money on their 1974 crop, even when prices on the sales floor set record highs.

Last December, this subcommittee heard testimony from Dr. Milton Shuffett of the University of Kentucky College of Agriculture that

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the average cost of producing burley in Kentucky had reached 93.6 cents a pound.

I understand that during the past 2 or 3 weeks, the average sales price on Kentucky floors has dropped well below that figure.

What this means is that farmers are simply going to quit growing the crop. Farming is a business, just like the insurance business, or the retail business, or the shoe business. While farmers are among the most charitable people in the world, they can't run their farms as charitable institutions. They have to make a profit, just like everybody else in our capitalistic system. They have obligations at the bank or the production credit agencies, just like everyone else.

Under present economic conditions, we may as well face it, tobacco is a losing crop for thousands of American farmers.

What I am trying to tell the subcommittee is that if we don't jack up the support price to at least 90 percent of parity, our tobacco program is going to collapse.

When our farmers quite growing the crop, there is going to be serious economic dislocation—not just in the Seventh Kentucky District, but throughout the tobacco-growing areas of this country. It seems we have enough economic problems right now, and we cannot afford the luxury of cultivating another one. And when we have a chance to correct one bad economic situation without making another one worse, it seems to me we ought to do it, and do it promptly.

I urge the subcommittee to take prompt action to report out a bill establishing the support price for tobacco at 90 percent of parity.

Mr. Chairman, the subcommittee knows the history of the support-price program. From 1949 to 1960, we operated under the 90 percent of parity system. But in the 1950s, there began to be agitation for change. The Department of Agriculture and some segments of the industry were dissatisfied with the 90 percent of parity system. So we agreed in 1960 to switch to the present system—one which bases the support price on the most recent 3 years' marketing experience.

The 3-year-average price-support system worked pretty well as long as inflationary growth was kept within reasonable limits.

But you will recall that in 1973, the price structure began to fall apart. By 1974, all restraints had fallen away. Production costs soared so high we almost needed a spy glass to keep track of them.

A support price based upon the average of 1971, 1972, and 1973 costs is just patently unfair to the growers whose costs are being incurred in 1974.

A 1975 support price based upon the average costs of 1972, 1973, and 1974 is going to be equally out of joint.

Clearly, the way out of this situation is to junk this 3-year-average system, and reestablish the concept of parity.

Setting the support price for burley at 90 percent of parity for 1975, will, of course, raise it from the present 85.8 cents to something about $1.30. This, I maintain, is not an unreasonable figure, in view of today's production costs.

This isn't going to call for any vast Federal outlay. This isn't going to gouge the taxpayers to support a single crop. There isn't any burley in the loan pool now, you know, and there isn't likely to be any in the next year. There is a demand for tobacco in the domestic

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and world market, and it can well sustain a fair market price for the producers.

The only thing the 22,000 growers in the Seventh Kentucky District are asking is fairness. The only thing I am asking is fairness.

I am sure that after due deliberation, fairness will be the test applied by this subcommittee.

Let me say one thing in reference to this so-called scarecrow set up by some of these exporting nations. The Common Market countries all over Central and Northern Europe have already raised their support price levels, and we are way behind at 90 percent of parity—and I know some of you may feel that is too low or too high, but by all means if we expect this crop to be grown in the future, we have got to take action.

The growers are growing tobacco in Kentucky with the hope that the Congress is going to take action this year. And any bill that comes out of this committee should not come out of this committee with the parity price guarantee of less than at least 75 percent and I strongly feel it should be 90 percent myself. I feel that it would do the program no harm and would just be giving the farmer a fair price for his product, but I know there are others that do not agree with me.

But under any set of circumstances there is just no argument that could be made for a parity below 75 percent. And if we fail to do that, we are going to find out within just a short period of time that the growers will lose hope in the Congress doing something about the situation and the crops are not going to be grown unless you are going to have it grown by a few large growers.

And then there is this argument that high support prices are going to destroy the program. Well, they will be the ones that will be destroying the program. It is the little fellows you know that can't make ends meet, and it is the little people that can't put a roof on a tobacco barn or pay 500 percent more for canvas today and tobacco seed. This situation should be corrected without causing the U.S. Government one dime. It may cost some of our exporter friends a few pennies, but that won't hurt them and we ought to do this.

The CHAIRMAN. Well thank you, Mr Chairman, for an excellent statement.

[The material supplied by Representative Perkins follows:]

TOBACCO, CORN RANK ONE-TWO AS STATE CROPS

Tobacco again ranked the top money-making crop for Kentucky last year, as it accounted for 39.6 per cent of the total value of crop production, according to the Kentucky Crop and Livestock Reporting Service.

Tobacco was valued at $485,428,000, followed by the 1974 corn crop at $333,-200,000, at 27.2 per cent of the total.

Soybeans came in third, amounting to 18.5 per cent. Farmers sold $226,688,000 worth of soybeans.

Hay, small grains, sorghum and other minor crops accounted for the remaining 14.7 per cent, or $179,332,000.

The value of the production of the 20 principal crops produced in Kentucky last year increased 49 per cent over 1973 and is expected to total a record $1.2 billion, the report said. The value of the 1973 crop production was $825,672,000.

The 20 commodities and their ranking are: tobacco, corn, soybeans, hay, wheat, grain sorghum, barley, popcorn, commercial apples, tomatoes, tall fescue seed, vegetables for processing, peaches, lespedeza seed, oats, strawberries, cotton lint, red clover seed, rye and orchard-grass seed.

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AG/GRO FERTILIZER CO.

DEALER PRICE SCHEDULE [1]

	Dealer price per ton bagged at Winchester, Ky.	Per ton retail
10-10-15, sulfur for tobacco	$153.50	$175.00
5-10-15, sulfur for tobacco	124.50	145.00
5-20-20, grass	145.00	177.50
10-10-10, corn	123.00	145.00
6-12-12	114.00	
Amonia nitrate, 33½ percent	230.00	230.00

[1] Subject to change without notice, effective Feb. 3, 1975.

Note: Add a 50 cents per ton State inspection fee to above prices.

1. *Terms.*—Cash at time of sale unless prior credit arrangements have been made. All other net 30 days. A service charge of 1½% per month on the unpaid balance will be made for each month until paid. Invoices are rendered at prices in effect on date of shipment and prices are subject to change without notice.
2. *State Inspection Fee.*—The state inspection fee will be shown as a separate line item on each invoice and is not included in the prices listed herein.

The CHAIRMAN. The final witness from this morning's list is Mr. W. D. Lawson III, chairman, National Affairs Committee, American Cotton Shippers Association, Gastonia, N.C., accompanied by Neal P. Gillen, vice president and general counsel.

STATEMENT OF W. D. LAWSON III, CHAIRMAN, NATIONAL AFFAIRS COMMITTEE, AMERICAN COTTON SHIPPERS ASSOCIATION, GASTONIA, N.C.

Mr. LAWSON. Thank you Mr. Chairman and distinguished members of the committee. Our approach to the testimony is somewhat different than the witnesses this morning. It will be of interest to the committee, since we approach this from a marketing standpoint.

Mr. Chairman, I am W. D. Lawson III, a cotton merchant from Gastonia, N.C. I appear today in my capacity as chairman of the Committee on National Affairs of the American Cotton Shippers Association. Accompanying me is our vice president and general counsel, Neal P. Gillen of Washington, D.C.

The American Cotton Shippers Association was founded in 1924 and is basically comprised of merchants, shippers, and exporters of raw cotton who are members of 5 federated associations, located in 16 States throughout the cotton belt: Arkansas-Missouri Cotton Trade Association; Atlantic Cotton Association; Southern Cotton Association; Texas Cotton Association; and Western Cotton Shippers Association.

The 492 active member firms of the ACSA handle over 70 percent of the domestic cotton crop and 80 percent of the export market. The association takes an active part in promoting the increased use of cot-

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ton in the United States and throughout the world; establishes with other trade groups national and international standards for trade; collaborates with producers throughout the cotton belt in formulating farm programs; and cooperates with Government agencies in the administration of such programs.

Cotton merchants have a dual function of buying and selling cotton, including the assumption of the time, quality, and price risks. The merchants purchase and assemble millions—approximately 12 million in 1974—of individual bales of cotton offered for sale by approximately 300,000 farmers producing cotton in 16 States across the cotton belt. Over 18 varieties of U.S cotton are produced in several hundred combinations of quality and staple lengths—due to the various types of seed, soil, weather conditions, and harvesting practices. The merchant classes each bale according to the quality factors and assembles the cotton of the same grade, staple length, color, and character into even-running lots in warehouses at various locations in the different States. Cotton is sold to textile mills in spinners' markets in even-running lots at various times and delivery is made to locations designated by the various textile mills. The merchant also performs the function of storing and concentrating cotton and the financing of surplus spot cotton including the excess ginnings over consumption during the major harvest months.

THE COTTON SITUATION

The present level of prices is of great concern to cotton farmers and other segments of the cotton industry. In the current 1974–75 season we are experiencing reduced domestic and foreign demand for cotton due mainly to recessionary economic conditions. Despite poor yields in most parts of the cotton belt due to adverse weather, we have on hand supplies which will increase our carryover stocks on August 1, 1975, by a minimum of 40 percent. This is rather astounding in 1 year to have a carryover figure of that amount.

The January 1975 projections made available by the USDA appear optimistic on the demand side.

U.S. COTTON SUPPLY AND DISTRIBUTION[1]

[In millions of 480 lb bales]

	1973–74	1974–75
Beginning old crop carryover	4.1	3.7
Production plus imports	13.1	11.7
Total supply	17.2	15.4
Domestic consumption	7.5	5.8–6.3
Exports	6.0	3.5–4.0
Total off-take	13.5	9.3–10.3
Ending carryover	3.7	5.1–6.1

[1] "The Economic Outlook for U.S. Cotton," National Cotton Council of America, Jan. 15, 1975.

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We estimate that in the current season domestic offtake will be no larger than 6 million bales and exports will be approximately 3 to 3.5 million bales. Projected offtake of 9.5 million bales along with production of 10.5 million bales and a carryover of 6 million bales will make available more than an adequate supply for domestic and export demand. Because of this supply situation it is important that Congress carefully consider the various recommendations and legislative alternatives.

TARGET PRICE

With regard to target price, production costs have increased dramatically suggesting some flexibility in the target price. Fuel, chemicals, equipment, seed, and labor costs have soared to record levels, while yields have decreased due to poor weather further increasing the cost of production. These record costs justify the need for relief through an increase in the level of the target price.

Mr. Chairman, I think care should be exercised so we don't create false incentives which could in turn cause excess production which would lower the price of cotton, and which would also inhibit the planting of food crops.

Mr. Chairman, Mr. Brorsen indicated that he felt that it was dangerous to tie the loan to the target price. I couldn't agree more.

PRICE SUPPORT LOAN

Concerning the price support loan, we would urge the committee to proceed with great caution. The loan has been increased over 35 percent from 25.26 cents per pound for the past crop year, 1974–75, to 34.27 cents per pound for the coming crop year, 1975–76. The loan we have indicated here is middling inch loan, the loan for cotton generally proposed in the Southeast and the Midsouth would be about 36.75 cents per pound in the next year.

Considered with the price received by farmers for cottonseed of approximately 4 to 6 cents per pound, a loan plus seed total of approximately 40 cents a pound, for most of the cotton produced in the United States, exceeds current market prices. In fact, the current loan level of 34.27 cents per pound for middling inch cotton adjusted to the average grades is in excess of world prices.

Mr. Chairman, I have with me a publication generally accepted by the industry as the authority for world prices and the name of this publication is the "Outlook Indices," published in Liverpool, England. With the Chairman's permission, I would like to insert in the record page 2, which is dated February 7, 1975, quoting the CIF, North Europe quotations for principal growth.

The CHAIRMAN. Without objection, so ordered.

[The material referred to above follows:]

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CIF NORTH EUROPE QUOTATIONS FOR PRINCIPAL GROWTHS

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ALL FEBRUARY/MARCH SHIPMENT EXCEPT WHERE OTHERWISE STATED

QUOTATIONS AS AT FEBRUARY 6, 1975
- in cents per lb and per kilo -

OUTLOOK INDICES		
'A' (S.M. 1-1/16")	46.60¢ (102.75¢)	+0.25¢ (+0.55¢)
'B' ('Coarse Count')	41.15¢ (90.70¢)	+0.10¢ (+0.20¢)

See Note Overleaf

AMERICAN-TYPE COTTONS

		Change on week	1974/75 Crop (Apr/May shipment)	
AMERICAN (Standard Micronaire - 1974/75 Crop)				
✱Orleans/Texas .... S.L.M. 15/16"	40.75¢ (89.85¢)	+0.40¢ (+0.90¢)		
Orleans/Texas .... Midd. 1"	43.25¢ (95.35¢)	+0.40¢ (+0.90¢)		
Mississippi Delta .... M/S.M. 1-3/32"	52.50¢ (115.75¢)	+0.90¢ (+2.00¢)		
*Memphis Territory ... S.M. 1-1/16"	N53.00¢ (116.85¢)	+0.90¢ (+2.00¢)		
*California/Arizona DPL S.M. 1-1/16"	50.00¢ (110.25¢)	+0.90¢ (+2.00¢)		
Californian Acala SJV S.M. 1-1/8"	52.00¢ (114.65¢)	+0.90¢ (+2.00¢)		
MEXICAN (Mexicali - 1974/75 Crop)				
*S.M. 1-1/16"	47.50¢ (104.70¢)	Unch		
NICARAGUAN (1974/75 Crop)				
*S.M. 1-1/16"	41.25¢ (90.95¢)	+0.50¢ (+1.10¢)		
GUATEMALAN (1974/75 Crop)				
S.M. 1-1/16"	45.25¢ (99.75¢)	Unch		
EL SALVADORAN (1974/75 Crop)				
S.M. 1-1/16"	46.75¢ (103.05¢)	+0.75¢ (+1.65¢)		
COLOMBIAN (Coastal - 1974/75 Crop)				
M/S.M. 1-3/32"	45.25¢ (99.75¢)	+1.00¢ (+2.20¢)		
SOUTH BRAZILIAN (1973/74 Crop)				
Type 5, 1-1/16"	51.00¢ (112.45¢)	Unch	50.00¢ (110.25¢)	Unch
✱Type 6, 1-1/16"	45.50¢ (100.30¢)	Unch	47.50¢ (104.70¢)	Unch
NORTH BRAZILIAN (1973/74 Crop)				
Sertao Type 4, 1-1/16"	N.Q.	-		
SYRIAN (1974/75 Crop)				
*S.M. 1-1/16" S.G.	55.00¢ (121.25¢)	Unch		
IRANIAN (1974/75 Crop)				
*S.M. 1-1/16"	48.25¢ (106.35¢)	+0.25¢ (+0.55¢)		
M/S.M. 1-3/32"	46.25¢ (101.95¢)	+0.25¢ (+0.55¢)		
TURKISH (1974/75 Crop)				
Adana Standard I White, 1-1/16" R.G.	42.50¢ (93.70¢)	Unch		
✱Adana Standard II White, 1-1/16" R.G.	40.50¢ (89.30¢)	Unch		
*Izmir Standard I White, 1-1/16" R.G.	50.75¢ (111.90¢)	Unch		
Izmir Standard I White, 1-3/32" R.G.	51.00¢ (112.45¢)	Unch		
GREEK (1974/75 Crop)				
*S.M. 1-1/16"	50.75¢ (111.90¢)	Unch		
S.M. 1-3/32"	51.00¢ (112.45¢)	Unch		
RUSSIAN (1974/75 Crop)				
*Pervyi 31/32 mm	46.00¢ (101.40¢)	-0.50¢ (-1.10¢)		
TANZANIAN (1974/75 Crop)				
*'AR' Mwanza No.1	N51.50¢ (113.55¢)	Unch		
UGANDA (1974/75 Crop)				
'AR' BPA (Busoga Style)	61.00¢ (134.50¢)	Unch		
'AR' Satu	N.Q.	-		
PAKISTAN (1974/75 Crop)				
✱AC-134 Punjab S.G. (Choice)	42.25¢ (93.15¢)	Unch		
N.T. Sind S.G. (Choice)	42.00¢ (92.60¢)	+0.50¢ (+1.10¢)		
Sind Desi (Choice)	N50.00¢ (110.25¢)	Unch		
Punjab Desi (Choice)	N48.00¢ (105.80¢)	Unch		
INDIAN (1974/75 Crop)				
Bengal Desi (Superfine)	54.00¢ (119.05¢)	Unch		

LONG-STAPLE COTTONS

EGYPTIAN (1974/75 Crop - Official basis)

	F.G.		G/F.G.		GOOD+½	
Giza 45 ...	146.80¢ (323.65¢)	+1.00¢ (+2.20¢)	135.45¢ (298.60¢)	+0.90¢ (+1.95¢)	133.45¢ (294.20¢)	+0.90¢ (+2.00¢)
Menouf. ...	137.80¢ (303.80¢)	+0.90¢ (+2.00¢)	125.90¢ (277.55¢)	+0.85¢ (+1.85¢)	123.40¢ (272.05¢)	+0.80¢ (+1.75¢)
Giza 67 ...	111.05¢ (244.80¢)	+0.75¢ (+1.65¢)	100.55¢ (221.65¢)	+0.70¢ (+1.50¢)	97.70¢ (215.40¢)	+0.65¢ (+1.45¢)
Giza 66 ...	108.20¢ (238.55¢)	+0.70¢ (+1.55¢)	99.60¢ (219.60¢)	+0.70¢ (+1.55¢)	96.75¢ (213.30¢)	+0.65¢ (+1.45¢)

SUDAN (1974 Crop - Official basis)

	Grade 6		Grade 5		Grade 4	
V.S. ..	77.50¢ (170.85¢)	Unch	85.50¢ (188.50¢)	Unch	91.50¢ (201.70¢)	Unch
Barakat	68.00¢ (149.90¢)	Unch	71.00¢ (156.55¢)	Unch	73.00¢ (160.95¢)	Unch

PERUVIAN (1975 Crop)

Tanguis Grade 2½	63.50¢ (140.00¢)	Unch	Apr/May shipment
Tanguis Grade 3	63.00¢ (138.90¢)	Unch	" " "
Pima Grade 1, 1-9/16"	-	-	

N = Nominal N.Q. = Not Quoted

* The 'A' Index is an average of the cheapest 5 of the 10 styles so marked, taking the nearer shipment when two are quoted
✱ The 'B' Index is an average of the cheapest 3 of the 4 styles so marked, taking the nearer shipment when two are quoted

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Mr. LAWSON. This publication will indicate that as of today there are at least nine, as I counted them this morning, foreign competitors who are presently selling cotton in the world market at prices considerably below our market prices today.

A return to a policy of utilizing the loan as the market for cotton would destroy the efforts of this committee and the entire cotton industry in the last 10 years to restore U.S. cotton to its rightful place in world markets as a competitive fiber. We have regained the share of the export market we forfeited during the period of most of the 1960's when the Commodity Credit Corporation held the residual world stocks and was in itself the marketplace for cotton—let us not repeat the mistakes of the past.

I remember the late 1950's when the Talmadge bill was being considered and we were very much in favor of this approach realizing that we had to produce for the marketplace.

DANGERS OF OVERPRODUCTION AND BUILDUP IN STOCKS

We urge caution in considering changes to the cotton program because we feel that the cotton industry should maintain maximum flexibility in order that we may be suitably equipped to take quick advantage of cotton's unique spinning qualities when textile demand returns. Most projections indicate an increase in textile demand somewhere in the second or third quarter of 1975. A return to a system where production is encouraged through a high loan level will only discourage U.S. and foreign textile mills from making advance purchase commitments and result in a buildup in CCC stocks at great cost to the taxpayer.

We cannot disagree with the contention of cotton producers that crop financing would be more readily available if the price support loan was raised to higher levels. An increase in cotton production in the current market atmosphere with cotton consumption at a 40-year low, and with supplies at more than adequate levels will be disastrous for cotton prices in the foreseeable future. Such an increase in production stimulated by higher loan levels will only add to a further deterioration of the present cotton outlook.

RETURN OF TWO-PRICED COTTON SYSTEM

As I mentioned above, current world prices are now at levels more competitive than U.S. cotton. An increased loan level will only add to the competitive advantage that foreign cotton producers now enjoy over U.S. growers. The U.S. loan level will again become a floor price and stimulate increased foreign production. We will have in effect, a two-price cotton system, wherein foreign textile mills can buy foreign growth substantially cheaper than U.S. cotton, spin it at lower production costs and then export it into the United States taking away additional markets for U.S. cotton producers and textile manufactures.

RESEAL PROPOSALS AND RESERVE STOCKS

We would also urge the committee that they reject outright the request for an extension of the reseal privilege for cotton combined

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with the anniversary loan provision of the current loan. The reseal proposal could keep cotton from its intended destination for up to 2½ years, artificially increasing the price of cotton through added storage, interest, and insurance costs.

Mr. Chairman, on an 18-month extension this would escalate the price 9 cents a pound. It is our fear, of course, that as each month goes by, more cost is added to the cotton, thereby keeping it away from the market until finally it is taken over by CCC.

Cotton should move into trade channels, not into storage facilities. Such a buildup in stocks would be in fact a reserve of cotton which would further interfere with our ability to compete in domestic and export markets. Any surplus over and above domestic and export needs will only tend to depress prices regardless of how well farmers and the USDA administer such a surplus.

Even if we lock it up and put a padlock on it, Mr. Chairman, there is always that fear overhanging the market.

UNIFORM LOAN PROGRAM

We would also urge the committee to consider the adoption of a uniform loan provision with storage and interest deducted at the time the loan for cotton is made. Cotton is the only commodity wherein interest and storage are not deducted at the outset of the loan period.

Mr. Chairman, this morning reference was made in testimony I think by Mr. McDonald to a forward contract in Alabama and a statement was made that forward contracts were made at high prices and then when the market dropped and the farmer looked for the man with whom he contracted, he was unable to find him. Mr. Chairman, our association, as we indicated, has over 500 members, and not one single member has defaulted on a contract. As a matter of fact, the particular firm that defaulted on the contract in Alabama was not a member of our association. The minute we heard about this, and realizing that his action—even though we weren't responsible for him—that his action would in fact reflect on the entire merchandising industry, we immediately called together a group to advise and to help assist the producers to gain as much as they could from this situation. So I would like to point out that even though we contracted at high prices that we paid up when the time came.

Now, in contrast to that we have a situation overseas. I just want to take a minute to tell you about this. In our opinion this situation has greatly affected the price of cotton and will greatly reflect the future of the marketing of our cotton.

CURRENT EXPORT PROBLEMS

I would like to discuss the problem which the U.S. cotton industry is experiencing in the current export season. Foreign buyers in 14 countries have refused to open letters of credit on an overwhelming proportion of the U.S. cotton they purchased for delivery prior to February 1st of 1975.

There are members of this committee who have expressed concern over this situation and I want to thank them for that.

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As of February 1, 1975, letters of credit on 887,000 bales valued at $277 million are outstanding in the following countries:

	Total sales	L/C past due
Korea	778,700	458,216
Taiwan	403,600	189,124
Philippines	113,500	73,551
Japan	646,400	64,997
Thailand	108,300	41,833
Peoples Republic of China	467,000	20,000
Hong Kong	13,500	10,000
Indonesia	30,900	4,900
Malaysia	13,100	8,150
Singapore	15,400	7,050
Morocco	13,100	6,774
Poland	16,600	600
Italy	25,000	300
Tunisia	1,320	1,320

This cotton was sold at prices averaging approximately 65 cents per pound and was offset with a crop contract or a purchase of futures on the New York Cotton Exchange. The failure of these foreign mills to honor their contracts will not only result in extreme financial hardship for a significant number of U.S. export firms and cooperatives, but more importantly it will destroy the entire pattern of international trade in cotton and other agricultural commodities.

The real tragedy in this story is not the losses suffered by exporting firms, but the losses to cotton farmers who now must suffer with a depressed market due to a lack of real demand for their product. The ultimate irony is that these are the very same farmers who in the 1973-74 season honored their low-priced crop contracts in a rising market, thus enabling U.S. exporters to perform according to their correspondingly low-priced export sales contracts.

We wish to inform the committee that we have no intentions of renegotiating these contracts, as we afford these contracts the same degree of sanctity that our customers required of us in the previous year.

The U.S. Departments of State and Agriculture have accorded this problem the highest priority and we wish to go on record complementing them for their support and the actions they have taken. We urge President Ford to give this matter his close personal attention and we would appreciate any support or assistance this committee can provide.

Additional CCC credits on a long-term basis are vitally necessary in order to resolve this problem. Efforts are currently underway by the Governments of the Philippines and Taiwan to put into effect financing arrangements which will make available to the mills the necessary credit to make good on their contracts. The other countries are still problems, and we urge the Congress to request the administration to greatly intensify its efforts in reaching a satisfactory solution.

Unless this matter is resolved the cotton farmers' ability to operate successfully under a market-oriented farm program will continue to be limited. Unless the markets perform, the program cannot perform. This situation must be resolved if we hope to see a lifting of the demoralizing impact on prices.

The CHAIRMAN. What remedy do you have?

Mr. LAWSON. Mr. Chairman, the remedy we have frankly is government-to-government action.

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The CHAIRMAN. You mean private individual in foreign countries make the contracts have reneged on their contracts?
Mr. LAWSON. Yes, sir.

STATEMENT OF NEAL P. GILLEN, VICE PRESIDENT AND GENERAL COUNSEL, AMERICAN COTTON SHIPPERS ASSOCIATION

Mr. GILLEN. Senator, private remedies in foreign countries are of little help at this particular time. For example, in the Philippines, if you filed a civil action against a Philippine mill, it would take approximately 5 years to have the case considered. In Thailand we just went to arbitration on two cases and were given arbitration awards. It will take approximately 3 years to have the matter adjudicated so that we may get a recovery on the judgments. The private remedy route is not a very practical one.
The CHAIRMAN. It is a common practice to make a contract for your delivery without any protection, without any letter of credit from the bank or something?
Mr. LAWSON. Yes, sir, this is done.
The CHAIRMAN. Then you rely purely on the goodwill and integrity of the other side.
Mr. LAWSON. And for one hundred years of cotton merchandising this has been sufficient.
The CHAIRMAN. This is the first time they have defaulted on the contracts?
Mr. LAWSON. Yes, sir.
The CHAIRMAN. You have made a very persuasive case here, and I certainly don't want to see the loan become the marketplace for American cotton, but on the other hand, I presume we sat here this morning and listened to witness after witness of the cotton producers' testimony in which they testified that the cost of production has escalated to anywhere from 46 cents a pound to as much as 55 cents a pound and that was on last year's cotton. We know the escalation has been considerably higher than that since then. What is this committee to do? Are we to sit idly by and let our farmers go bankrupt and get out of the cotton business and maybe get out of the production of other farm commodities, or what is your recommendation that we do in the situation?
You heard what they testified. They wanted a target price that is substantially the cost of production, which seems reasonable and realistic to me, and a loan level considerably below that, or approximately 80 percent of the cost of production. Now what is your remedy as an alternative?
Mr. LAWSON. Our recommendation, Mr. Chairman, would be to adopt a target price which would greatly offset the increased costs, and we have so testified.
The CHAIRMAN. What you would do, as I understand the testimony then, is to have a target price level at about cost of production, and then a loan level considerably below that, at about the world price, is that your recommendation?
Mr. LAWSON. Yes, sir. We would, in fact, want a loan level which would not be a market for the cotton. We would disagree with the previous witnesses, as substantiated by the evidence we presented

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here that for example 40 cents a pound is above world market prices today. We are simply saying it would be extremely——

The CHAIRMAN. Well, what is the present world price?

Mr. LAWSON. Well, for example, from Nicaragua, which is a competitor of ours, you could probably buy this today in the world market at around—well, I think our publication shows that around 41 cents per pound. The same publication indicates that Memphis territory cotton would market at around 53 cents a pound, or a difference of 12 cents a pound.

The CHAIRMAN. You are talking about Memphis cotton selling at 51 cents, and yet my Georgia farmers can't get 30 cents for theirs.

Mr. LAWSON. Well, let me clarify this. This is delivered to the cotton mill, and all the charges would go into that, you see.

Incidentally, I would add, Mr. Chairman, that most farmers did have an opportunity, had they so desired, to contract a year ago, and most of them didn't want to do so.

The CHAIRMAN. I understand that, and lots of farmers talked to me about what they ought to do. They figured the cotton fields running at about 62 cents a pound or thereabouts and I urged them to sell, but look at their point of view. The previous year they sold at 37 cents and then cotton went up to 75 or 80 cents a pound, so they were apprehensive about getting burned 2 years consecutively, and they were gunshy about it.

Mr. LAWSON. Certainly, so they made a market judgment.

The CHAIRMAN. Well, any questions?

Thank you very much for your statement.

Mr. LAWSON. Mr. Chairman, we thank you for providing us with an opportunity to present our views.

The CHAIRMAN. There being no objection, at this point I would like to insert into the record a statement from Georgia's distinguished commissioner of agriculture, the Honorable Thomas T. Irvin.

[The statement of Mr. Irvin follows:]

STATEMENT BY THOMAS T. IRVIN,* COMMISSIONER, GEORGIA DEPARTMENT OF AGRICULTURE, ATLANTA, GA.

Gentlemen: The Flue-Cured Tobacco Program created by Congress through the Agricultural Adjustment Act of 1938, as amended, has worked well for the approximately 26,000 Georgia tobacco growers through the years.

The program itself has been changed from time to time as the need arose for adjustments to keep the price support and available supply in line with cost of production and market needs for both domestic and export tobacco.

The price support for flue-cured tobacco has through the years reflected the increases in the cost of production to the grower and has been at a level determined by the cost escalator clause in the Act. No other farm commodity has had the consistent comfort of a price support program as tobacco growers have at or near the level of production cost and at the same time incurring very little, if any, cost to the taxpayers.

Georgia tobacco growers have through the last thirty-five or more years been able to secure more readily their credit needs because of the stabilizing effect on the economy of tobacco allotments and the price support program in the area where tobacco is grown.

Tobacco support price should not be raised to the point where it will be detrimental to U.S. flue-cured tobacco moving in world trade in competition with tobacco produced more cheaply in other world-producing countries or to a point where domestic companies would be encouraged to import more foreign-grown leaf to meet their need. Rather it should be kept at a level to reflect the cost of production to protect the grower from a disastrous loss.

* See p. 1317.

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The only change in the present program that I think should be given consideration would be to give the grower the right to lease and transfer tobacco allotments across county lines within a state. This would help to assemble acreage sufficient to afford mechanization and would have a leveling effect on lease pricing within a state.

It is my considered opinion that the needs of tobacco growers and other segments of the tobacco industry in the entire area where flue-cured tobacco is grown, including both domestic and export interest, are being adequately met by the program as it is and that no changes be made other than that dealing with lease and transfer of allotment across county lines within a state.

The CHAIRMAN. I would also like to insert in the record the statement of S. Mason Carbaugh, Commissioner of Agriculture and Commerce, Commonwealth of Virginia.

[The statement of Mr. Carbaugh follows:]

STATEMENT OF S. MASON CARBAUGH, COMMISSIONER OF AGRICULTURE AND COMMERCE, COMMONWEALTH OF VIRGINIA, RICHMOND, VA.

Mr. Chairman, gentlemen of the committee: I am S. Mason Carbaugh, Commissioner, Virginia Department of Agriculture and Commerce, Richmond, Virginia.

We appreciate this opportunity to present our views on the tobacco program for your consideration as you develop government policy for agriculture during this session of the Congress.

Tobacco is Virginia's most important cash crop and in 1974 contributed more than $150 million to the economy of our state and we are pleased to note that, nationally, tobacco contributed about $1 billion to a favorable national balance of trade. Thus, tobacco is not only very important to our local economy but is also very important to our national economy as we try to solve the problems caused by our heavy reliance on imported energy.

We consider the tobacco program the most successful of our commodity programs in the United States. Years ago the Congress was extremely wise in recognizing the special characteristics of tobacco and providing a tobacco program under separate legislation. The major parts of the tobacco program have remained under separate legislative authority over the years. This is a fact that we feel has contributed greatly to the success of the program. We sincerely hope you will continue this policy.

Another important factor in the operation of the tobacco program has been the willingness of growers to face up to the problems affecting tobacco as they arose and the willingness of the Congress and the Executive branch to work with growers as they attempted to find meaningful solutions.

Three major instances have occurred in recent years to illustrate the success obtained by this ability to recognize problems and, by working together, to find solutions.

In 1958, it became obvious to the leadership in tobacco that the legislated formula used to compute the price support level for tobacco was moving up more rapidly than could be justified by the world market for tobacco. Growers faced two alternatives—either reduce production sharply to hold supplies at levels that could be sold at the escalating prices or adjust the formula to reduce the rate of escalation. They chose the latter and with the help of the Congress developed a new formula that provided price support levels that have enabled U.S. growers to retain almost 100 per cent of the domestic market and remain in a good competitive position in the world market.

In the early sixties new technology was giving growers the ability to increase the production per acre for flue-cured even though the quality factors sought on U.S. flue-cured markets were deteriorating. The price support program made this profitable in the short run although many growers realized this situation was short lived as vast quantities were accumulating in loan inventories. An acreage-poundage program was developed by the Congress and growers were given an opportunity in 1965 to change to this program. This they did. As a result, quality improved, the surplus was eliminated, and in recent years, two 10 percent increases in quota have been insufficient to increase production to a level equal to disappearance developed by a strong demand for U.S. flue-cured tobacco.

More recently the Congress provided our burley growers an opportunity to change their production adjustment system to poundage-quota resulting in an even more rapid surplus removal and improved quality than was the case in flue-cured.

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In 1974, the Department of Agriculture, under the authority of previous legislation, worked with growers, warehousemen, and buyers to develop and implement a marketing program for flue-cured tobacco that has insured each grower the opportunity to sell his tobacco at the warehouse of his choice and growers in each production area the opportunity to market their crops in line with its availability for markets. This provided a much more orderly and equitable marketing system for all growers, warehousemen, and buyers.

These changes in the program to solve specific problems have resulted in a tobacco industry in the United States that is surplus-free and rapidly increasing production to meet a growing worldwide demand for high quality tobacco. The cost to the government for their assistance has been quite small when measured in relation to the billions of dollars in excise and other taxes contributed by the tobacco industry.

We believe one of the most important factors in a healthy tobacco economy is stability. Since tobacco must be aged for about two years before it is used, manufacturers must project their needs for this length of time as they make their purchases. This requires that all segments have a reasonable and stable basis on which to make their projections. We believe that the tobacco industry has reached a level of growth and stability that is highly encouraging.

There are those who suggest that the present formula for computing price supports for tobacco be changed to bring the price support increases more nearly in line with the current rate of inflation. We would submit that even now the price support level is above the costs of production of those growers who manage well and take reasonable advantage of available technology. The present formula contains an escalation factor which will increase the loan rate by 12 percent in 1975. While it may not be moving up quite as fast as the current rate of inflation even a mild slowdown will allow it to catch up. We believe the current formula has served the industry well and can see no reason why it will not continue to provide the growers the intended protection against a sharp drop in prices and the manufacturers a reasonable basis on which to make their purchase plans in the future.

Last fall I met with the leadership of the tobacco producers in Virginia, and it is my belief that they strongly feel the present program is working well and that significant improvements have been made under existing authority.

It is our considered opinion that the present legislation provides the program needed for our producers and the other segments of the industry to increase their output in an orderly manner, become more competitive in world markets, and make an increasing contribution to our national economy. We do not believe any major legislative changes are needed in the current tobacco program.

The CHAIRMAN. The next witness is Mr. Adolph Rupp, of Lexington, Ky.

This is a very familiar name to most Americans in the field of athletics. If you are as skillful in the growing of tobacco as in basketball, I'm sure you can shed some light into this matter.

Senator HUDDLESTON. If I may, I'd like to make one comment along that line. Mr. Rupp has achieved substantial recognition in the country as a great producer of basketball teams and players. He has been highly visible in that regard over the last 30 or 40 years. What may not be as well known, but is known in our area, is that he is no less proficient in the area of farming. He has been a tobacco grower since about 1940 or 1944. He has been active in a marketing organization for burley tobacco, which is one of the biggest in the world, if not the biggest. He can elaborate on this but I did want to point out that Coach Rupp is eminently qualified to discuss any farming matter before this committee, and particularly tobacco.

The CHAIRMAN. Coach, you may insert your full statement in the record and summarize it at this point, if you like.

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STATEMENT OF ADOLPH F. RUPP, DIRECTOR, CENTRAL DISTRICT WAREHOUSING CORP., LEXINGTON, KY.

Mr. RUPP. I have a prepared statement for all the members of the committee, and I think they will be handed out.

Thank you, gentlemen, for granting me the time to appear before you today. I am Adolph F. Rupp, a farmer in central Kentucky raising burley tobacco and cattle. I also am a director of Central District Warehousing Corp., a farmer owned cooperative marketing organization operating tobacco sales warehouses on the markets in Lexington, Paris, and Richmond, Ky. At one time, I also did a little basketball coaching at the college level back in Kentucky.

I am here today to lend my support to the efforts of members of the congressional delegations from tobacco producing States to have a more realistic support price placed on the tobacco crops produced by the hundreds of thousands of farmers who depend upon this crop for their very livelihood.

Unlike most groups whose representatives appear before hearings such as this, tobacco producers are not asking for a dole, they are not asking for any Government handout; they are not asking for financial aid; they are not asking, seeking, or even wanting any kind of appropriation. All producers are asking is for your cooperation in establishing assurances of a reasonable return for their year's work in the form of a realistic support price level.

It is a matter of public record that during the three decades of support prices on tobacco, the Treasury, or the taxpayers of the country, have not lost 1 cent in this program which has contributed untold millions to the national economy.

Under the present formula for determining support prices, the level of support for the 1975 burley crop next winter will be approximately 96 cents per pound. A study made by the University of Kentucky last year established a cost basis at that time on burley of 93 cents, a figure which certainly has been increased by later rises in the costs of fertilizers, chemicals, machinery, et cetera. Therefore, on the basis of the present formula, the present support price for burley certainly would be less than production cost. That, of course, is completely unrealistic and, in the opinion of producers, not in accord with the intent of the Congress when it established a support level for the crop. At the time the 93-cent production cost figure was established, the support level was only 85 cents.

Obviously, support prices that are actually below the cost of production are ridiculous and, I think you will agree, completely out of accord with the Congress in its intent in establishing a parity figure.

I am appearing here today in support of the bill introduced by the Honorable Carl Perkins and others which would alter the support price level, and the formula for arriving at that figure, for the year 1975 and future years. And I might add that I am appearing not only for myself, but also I am authorized to present these views on behalf of the nearly 3,000 members and more than 5,000 patrons of Central District Warehousing Corp., one of the largest farmer owned cooperative tobacco marketing agencies in the country.

This bill appears to be carefully conceived. It establishes a support price level which farmers can live with, and yet it is not too high to price our commodity out of the domestic and foreign markets.

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Your support of this bill will be a cost-free demonstration of your desire to protect and safeguard the interests of thousands upon thousands of the producers of the raw product used in one of our Nation's major industries.

Taxes on tobacco products enrich the Federal Treasury by more than \$2½ billion annually. It seems the least you can do is to provide this protection and security to those whose raw products made this industry and this contribution possible. This no-cost protection in return for the \$2½ billion Federal revenue seems to be a trade no Congress could conscientiously refuse.

Now, I have given you some prices to give you some idea of how the costs have really risen in the last year. It costs today \$2,150 per bent, so to erect a tobacco barn, therefore, a five bent tobacco barn would cost \$10,500. Now that is way up and is unreasonable, but that is what they get. If you are going to build something, I don't know if this is a good time to build it.

On February of 1974, the price of ammonia nitrate was \$130 a ton. On February of 1975, or last Friday, it was \$225 a ton.

Now, next, plant bed covers, plastic, they quadrupled in price. It was then \$5.50 and it is now \$25.50.

Next, nylon and cotton is up 85 percent.

Methol bromide, that is gas in beds, is 85 percent higher.

Next, fertilizer prices, the insecticide bug killer is up 25 percent and the sprays, the MH 30 which are used to kill suckers, is up 30 percent.

Next, herbicides, we don't know what that costs. I was unable to get a price on that at all.

Now, gasoline and the fuels you use on the farms, well God knows, I don't know and I doubt very much if you know. If you are going to pass this bill authorizing \$1 a barrel increase in the price of gasoline that we import and it is going up 10 cents to 30 cents a gallon, then you can figure how much it is going to cost, increase the fuel costs of a farmer just as well as I can.

Next, your mixed fertilizer. Well, on February 10, it was \$110. This was in 1974. I called the American Fertilizer Co. this morning, and the price of fertilizer is \$165 a ton this morning. That is the price on 7–7–16, and that is not a good fertilizer to use on tobacco, but that seems to be all we can get.

The charge of marketing at Central District Warehouse Corp. is \$37.50 per thousand. This includes the taking tobacco off the wagon, putting it on baskets, putting the baskets on scales, weighing the tobacco, putting the tobacco in line, furnishing the auctioneer to sell the tobacco, paying for the calculator to calculate the amount owed the farmer, preparing the check, then waiting 2 weeks for us to get the money. This also covers insurance on the tobacco from the time the farmer unloads the tobacco until the tobacco leaves the floor. If there is a shortage in weight on this tobacco to the buyer it must come out of the \$37.50.

The warehouse is getting that, and there is usually also a loss because when you take it from the warehouse to the redryer, it falls off somehow or other, and some of it gets lost.

Now then, we have discussed—actually we discussed this at a board meeting with the Central District Warehousing Corp. last Friday and

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we tried to come up—we being the 17 directors—with a realistic price support level for tobacco. We came up with a figure of $1.15 which we think is sufficient. Now that is considerably under that which was recommended here a few minutes ago, however, we are afraid if $1.33½ should be the figure that comes out of the recommendation of this committee and out of the Congress, that much of this tobacco will go to the pool, and that means the pool has got to borrow Government money. And it if borrows Government money, then again, they will begin to own a lot of tobacco, and that is something we don't want.

We want this tobacco to go to the tobacco companies where it belongs, and we don't want the pool to use it.

The figure of $1.15 will take care adequately of those that are efficient or super efficient. It will take care of us, I know. We raise 35,000 pounds of tobacco on our farm, and that will take care of us nicely. It will take care of an efficient operator. It will not take care of a less efficient operator. A small farmer will find it necessary to have a support price on tobacco if he is going to borrow money at the bank, you see, and he can do this two ways: by mortgaging his house and his farm—and that is, of course, for a 6-month period, which they don't want to do—or he can go ahead and borrow money. The bank knows what the support price is, and they will loan him the money on this.

So it is the recommendation of the board that controls the selling of about 25 million pounds of tobacco this year that the support price should be $1.15—and not 16 cents—$1.15 and no higher and no less.

Senator HUDDLESTON. That $1.15, how does that compare with the average paid this year?

Mr. RUPP. Well, our tobacco brought—well, good tobacco brought $1.21. I got $1.22 or $1.23, but let's face it, you know, that is completely out of it. It always looks good to have some high-priced tobacco and go around and brag, but I don't fool you, the members of this committee, or anybody else, for that matter; it is $1.21.

I think the average price for all tobacco both good and bad—well, now, this last tobacco we sold was frozen tobacco and goodness gracious that brought 45 cents and 50 cents a pound but it shouldn't have brought any more either. If you saw that tobacco, you'd see it was atrocious. It was just shameful.

I don't know what they are going to do with it. It won't be good for anything other than chewing tobacco, and they will certainly get a lot of chews out of that.

But anyway, it is awful tobacco, but they bought it anyway. The companies bought it. But anyway, that cannot be used as the figures. So that is what I mean when I say the least efficient will not be taken care of. That figure I mentioned will not take care of those people that put out tobacco late, that cut it late, that let the frost hit it—well, not the frost, but the freeze. The freeze hit it, and not the frost.

So it will never take care of those folks, and it shouldn't. We don't expect at any time that the Congress should guarantee us a profit. We think they should see though that there is a reasonable possibility that we can raise tobacco without a loss if we are efficient.

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Senator HUDDLESTON. Do you see anything in the marketing picture, in view of the apparent shortage of burley now, which would indicate that the market price might be down in the next year?

Mr. RUPP. No; I don't think so. I think the market price will possibly be up a little. I am rather of the opinion it will be up, and I do not believe the way some people talk that we will not raise tobacco. I mean, we are going to raise tobacco as long as we get $1.21 or have a target of $1.21 to shoot for. We are going to raise tobacco if we have not.

Senator HUDDLESTON. But the $1.15 support level you mentioned——

Mr. RUPP. How's that?

Senator HUDDLESTON. But the $1.15 you mentioned——

Mr. RUPP. And we will raise it for that, too.

Senator HUDDLESTON. That wouldn't necessarily mean the Government would acquire any more tobacco than it did this year, if the market price stays up; correct?

Mr. RUPP. No, sir. I don't think so, but I don't think that the least efficient should by any means be guaranteed a profit, but I do think that a support price ought to be given not only to tobacco but to other crops, so that the people, when they go out there, so that they are reasonably sure that if they do a good job in farming that they are compensated adequately for that.

Senator HUDDLESTON. From your knowledge of Kentucky farming would you say that most of our tobacco is grown by small farmers who grow an acre or less?

Mr. RUPP. That is right.

Senator HUDDLESTON. And this does provide a financial base for those operations.

Now without the tobacco income that they receive, what would their situation be as far as all the other crops they grow, like corn and wheat and livestock?

Mr. RUPP. I don't think it will make any difference. Now the farmer who raises an acre or an acre and one-half of tobacco of course does that with mainly farm help. The big operator is required to pay exorbitant prices at times for his help. The help this year costs all the way from $2 to $4. I would say the average help costs from $3 to $4, and at least $3. There is very little help furnished at $2, and that is usually only for family help. But I would say the other help costs at least $3 to $4.

Let me tell you this. You got to do some belt tightening if you are going to come out and pay those kinds of wages. That is $40 for a 10 hour day, and if you hire eight men at that, you can see that you've got to hang a lot of tobacco in that time if you are going to come out.

But if we can get $1.21, then I believe that you will see us raise more tobacco next year than we did this year.

Senator HUDDLESTON. You think the low support price is part of the reason that all the allotment is not being raised in Kentucky?

Mr. RUPP. Yes, I'm sure it is, because they advertised a lot of tobacco bases this year for sale and they were not raised. But I just know of a very, very few this year that you can rent and they are small bases. They are very small bases.

Senator HUDDLESTON. Senator Dole, any questions?

Senator DOLE. As I understand, the reason for raising the support price is to encourage production; is that it?

Mr. RUPP. Yes.

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Senator DOLE. Even though you are fairly certain that the market price is going to be in excess of that in any event; correct?

Mr. RUPP. Yes; I believe we will get the same price. I think tobacco will start out at about the same price it did this year with the possibility that it may grow more. Now that is our opinion at the Central District. That is not just my opinion. That is the opinion of 17 men that raise between them some 700,000 pounds of tobacco.

Senator DOLE. Right. Late last year Senator Huddleston was working on the bill with that purpose in the Senate and there were sympathetic views expressed for 1975.

Now I am not certain about this 90 percent.

Senator HUDDLESTON. The remarks have really been related to the 1975 proposal.

Senator DOLE. Yes, yes; that is right. But I read the story that Senator Ford had clipped from the Louisville paper by Mr. Russel and want to make certain that I understand the reason for the increase of the support price and changing the present system based on 3 years and the purpose would be to try to encourage production, correct?

Senator FORD. Can I interject here? This is the real reason; namely, to keep the production up, and to eliminate the foreign tobacco and the synthetic tobacco that will go in it or the synthetic substances that will go in it and give them a financial base for loan guarantee. You see, tobacco is the hub for corn and small grains. And if this works, then the whole small farming picture is stabilized.

Mr. RUPP. I think Governor Ford—no, I mean Senator Ford——

Senator FORD. That's all right.

Mr. RUPP. Yes, sir, I'm no longer a coach, either, but I was going to say—well, I lost my thought.

Well, I am of the opinion that you agree with me that tobacco will be raised if we have the support price that you have advocated, correct?

Senator FORD. That is correct.

Senator DOLE. Finally—and I know we have many other witnesses—but I am not certain in this committee we wouldn't get hung up on the merits of the price support program for tobacco. I mean, I don't have that hangup, but there are one or two members that might bring in other aspects of the tobacco situation. As you know there are those who state there shouldn't be tobacco price supports. There is something that hasn't been covered in the testimony. I don't think it is necessary that it is, but it may be something we will have to discuss later on the floor.

Mr. RUPP. Well; I tell you that you can face that nicely. I will come up here and help, if I can, to take care of that.

Governor Ford.—oh, no, pardon me again. Senator Ford, has talked about this matter many times.

Senator Ford, am I correct that tobacco is the leading industry in Kentucky?

Senator FORD. Correct.

Mr. RUPP. And I think Kentucky is the only State in the Union where that is true, is that not correct?

Senator FORD. That is a correct statement.

Mr. RUPP. So it does mean a lot to the Commonwealth of Kentucky that we do have a good support price to encourage our biggest industry

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there to keep on producing and expanding, so that we do not have this foreign competition that Senator Ford just spoke about.

Senator HUDDLESTON. Senator Young?

Senator YOUNG. I can understand better, after hearing you Kentucky people talk about Kentucky and about tobacco being a major industry, why Senator Cooper was reelected for so many years. As I recall it, he had an amendment to the Agricultural Act of 1948 requiring 90-percent support for tobacco when all other commodities were 60 to 90 percent of parity. They thought it would wreck the program, but it worked all right didn't it?

Mr. RUPP. I think it will work all right again, if you just follow our recommendations, although your wisdom is far superior to mine.

Senator YOUNG. You haven't noticed any difference in the tobacco problems since I quit smoking, have you?

Mr. RUPP. Yes, sir, tobacco production has dropped off a little.

Senator HUDDLESTON. I might point out that the bill that you refer to of Senator Cooper—and Senator Cooper was instrumental in getting it enacted—that since that was enacted and the formula changed, that the support level has dropped not to 90 percent of parity, but to 56 percent of parity.

Senator YOUNG. I was trying to recall when the support level was reduced.

Senator HUDDLESTON. 1969 I believe was the new legislation. It instituted a new formula.

Senator DOLE. 1959, wasn't it?

Senator HUDDLESTON. Yes, 1959.

Mr. RUPP. Well, gentlemen, the thing I want to leave with you is the fact that we have so many ifs in our production this year that we cannot determine at this time. I don't know what ammonium nitrate will sell for when we need it or what the mixed fertilizers will sell for or the herbicides. You just can't get a price on herbicides. They won't quote it to you.

Now gasoline—well goodness knows what that is going to cost us. We don't know. We don't know what diesel fuel willl cost.

Senator HUDDLESTON. Senator Helms, you have a question?

Senator HELMS. The coach is just a good arguer for tobacco and thank the Lord for that. He is just as good an arguer as he was a coach and he was a pretty good coach in basketball as we learned to our dismay in North Carolina on a number of occasions, I might add, sir.

Mr. RUPP. Well, we about broke even.

Senator HELMS. Well, we can remember some times you beat us.

Mr. RUPP. And those are the ones I remember too.

Senator HELMS. I want to compliment you on your testimony and I want to thank the distinguished acting chairman for making it possible.

What is the argument of the Agriculture Department, if the staff knows, in terms of what this would cost?

Mr. CASSO. [Economist, Agriculture and Forestry Committee]. We don't have that.

Senator DOLE. Secretary Butz will be here Thursday, and we will find out from him.

Senator HUDDLESTON. It will be part of the record before we finish this hearing.

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Senator HELMS. Yes; but you have no fear that if you tamper with the program that we won't be opening up the program to some of our friends on the Senate floor, particularly Mr. Moss of Utah and the others?

Mr. RUPP. Well, I have an argument there as to Mr. Moss, but I don't think I should bring it out today, but then I said I would be glad to come back if he gets too vicious and give my opinion on the subject.

Senator HELMS. I just wanted to elicit a pledge that you would come back and help us.

Mr. RUPP. Well, I can do that possibly.

Senator HELMS. Well, very well.

I have no more, Mr. Chairman. I enjoyed the testimony.

Senator HUDDLESTON. Just one other aspect of the tobacco program which I think merits some consideration—perhaps we should not go into great detail—but could you discuss the method which the farmer is using to get his tobacco to the warehouses and to the marketplace.

Mr. RUPP. Oh, I meant to bring that out, Senator. We did something this year in Kentucky that has never been done before. I came out on the farm one day and my tenant told me that a man from the University came out there and asked us to bale tobacco.

Have you heard about baling tobacco, Senator Young?

And I told him, well, I don't know anything about it. I asked him to tell me about it. So he told me about it, and I said "Well, go ahead." Now there were two of them fellows there. We have to get about 80,000 pounds of tobacco out at Centreville where I live which is 8 or 9 miles from Lexington. And we had to get that together before they could take it.

Now baling tobacco is very interesting. You need a tobacco baler, and this baler has three compartments which has grooves in it—which has three grooves in it—with cords and it has a compressor, an air compressor. So you take these tobacco leaves and put them in there with the stems out and then when you have about 60 pounds of leaves in there, it fills the box, and then you compress it and tie the bale. Now that saved you probably seven trips going out to the barn where you would put 15 hands on a stick of tobacco and carry it out.

So as I say, you just carry it out one time, whereas you had to carry it out many times.

Then when you loaded the tobacco it took about 20 minutes to load 5,000 pounds and you bring it up to town, and it takes about 15 minutes to unload it, and it was already graded.

Now, the tobacco companies—well, Southwestern Co. liked it. We don't know what the repercussions though are going to be. We got $1.21 for that too. We figured it is going to save us—that is this method—from 12 to 20 percent.

So again we are talking about efficiency or less efficiency. So we figured it is going to save us on our tobacco about 20 percent in handling.

Then we took it right directly to the Southwestern redryer.

Now then, a question comes up, and that is, what is it going to do to the warehouses? Well, it isn't going to do anything to them, because you can't market 85 million pounds of tobacco and take it off the redryer and schedule every farmer to come in at a certain hour to unload his tobacco.

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You would jam the redryers, you see? You can't haul this tobacco as fast as it is sold to the redryer anyway, so you still have to use the warehouse floor to market your tobacco.

Of course, we never paid any commission at all to sell this tobacco, and that is fine if you can get by with it, but we don't want to put these warehouses out of business, because goodness knows, I own part of 12 of them, and I don't want to see them go.

But as I say, it doesn't go down the drain. I can assure any warehouse man that it will not hurt the warehousing end of it at all, but just saves on the labor.

So this year the university wants to come out with a baler that will handle 100-pound bales. Well, we want to see now what this experiment will produce, but at 5 that afternoon they had 80,000 pounds on a truck on its way to Raleigh to unload and everyone was pleased with it.

Now again, all the tobacco wasn't of good quality. They said that we had the best tobacco though, and we unloaded it first at 8:30 in the morning, and we were unloaded by 9 and they said we had the best tobacco.

Of course, I don't know how many others they told that to, but it makes you feel pretty good, doesn't it? But anyway, there was some tobacco there that wasn't of the same quality as we had, but they were all guaranteed this $1.21 price. I'm sure, though, they couldn't always do that.

But I just wanted to tell you about this. It is a new wrinkle in handling tobacco.

Senator YOUNG. I hope it doesn't put those colorful auctioneers out of business, though.

Mr. RUPP. It won't put them out of business, because you are going to use the warehouse floors. No; it won't put them out of business.

Senator HUDDLESTON. I just wanted to point out that there are efforts being made to improve the efficiency of the marketing system which will in turn improve the profitability of the crop and be of benefit to the grower.

Any other questions?

We appreciate your coming, Mr. Rupp.

At this time, I would like to enter into the record telegrams from the Kentucky Governor's Council on Agriculture, from Mr. William E. Burnette, deputy director, Governor's Council on Agriculture, Frankfort, Ky., Mr. Ted Kuster of the Kentucky House of Representatives and Mr. George Stiles of the Kentucky NFO.

[The above-named items follow:]

[Telegram]

FRANKFORT, KY., *February 17, 1976.*

Sen. WALTER D. HUDDLESTON,
Capitol Bldg., Washington, D.C.

The Governors Council on Agriculture, meeting in special session on February 12, unanimously passed a resolution in support of 75 percent of parity as a support price for tobacco growers.

WILLIAM E. BURNETTE,
Deputy Director,
Governors Council on Agriculture.

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[Mailgram]

PARIS, KY., *February 17, 1975.*

Sen. WALTER D. HUDDLESTON,
U.S. Senate, Washington, D.C.

I represent Bourbon County and northern Fayette County in the House of Representatives of Kentucky. This is the heart of the Burley tobacco producing region. We need and must have adequate price support and Government support for our Burley program, as the price of production has nearly doubled in the last two years. This program is one of the few Government programs that has not cost the taxpayers. There has to be a support level whereby we farmers can make a profit such as other business men are doing today. Please give this your utmost attention, as I know you have the interest of the farmer at heart.

TED KUSTER,
House of Representatives,
Paris, Ky.

[Mailgram]

BUFFALO, KY., *February 17, 1975.*

Sen. WALTER D. HUDDLESTON,
Senate Office Building,
Washington, D.C.

My name is George Stiles and I am president of the National Farmers Organization in Kentucky. We urge the immediate passage of the tobacco bill which will raise the support price to at least a $1.15 per pound. Last year thousands of pounds of tobacco were not produced due to the high cost and uncertainty of price. Farmers cannot produce any longer without reasonable security of a fair price.

George Stiles, president, National Farmers Organization.

Senator HUDDLESTON. At this time, I would also like to make a statement relating to this subject, namely the support price of Burley tobacco.

STATEMENT OF HON. WALTER D. HUDDLESTON, A U.S. SENATOR FROM THE STATE OF KENTUCKY—Resumed

The Senate Committee on Agriculture and Forestry is today continuing its general review of Federal farm programs and its evaluation of the adequacy of such programs. Our focus this afternoon is the tobacco support program. The wisdom of having a support program is not in question—that has been debated in Congress and provided for in permanent legislation already on the books. The question is whether the present program as it is administered is adequate to achieve the original objectives of the act.

The tobacco support level is currently determined under a formula which provides for multiplying the 1959 support price by the ratio of the average index of prices paid by farmers for the immediately preceeding 3 years to the average index of prices paid by farmers in 1959.

This means the 1975 support price for Burley and other tobacco is calculated according to the prices paid by farmers for production, goods, and services between 1972 and 1974. And, as we all know, prices of farm production inputs today are far higher than they were in 1972.

Furthermore, the percentage increase in such input costs—about 32 points for Burley—has clearly outstripped the increase in the support price—about 14 points.

Thus, on the basis of production costs alone, it would seem obvious that the tobacco grower needs and deserves greater assistance.

We must, however, also examine other aspects of the tobacco system and try to determine whether or not increased support prices would indeed work to the benefit of the entire industry.

A number of fears are frequently expressed.

It has been suggested that an increased support price might decrease the amount of tobacco purchased in the marketplace, which would force the Federal Government to purchase large quantities of surplus tobacco at a considerable expense to the Treasury. Thus, the tobacco program, which recently has not cost the taxpayer significant funds, could place new demands on Federal revenues.

Another possibility is that additional, lower priced foreign tobacco would be imported into the United States, undermining the domestic market for the domestic producer.

Export sales might also be adversely affected. The United States is now the largest exporter of tobacco, even though U.S. tobacco has traditionally sold at higher prices because of its superior quality. But, a very large increase in the support price might price U.S. Burley and other tobacco out of the international market.

Finally, an effort to modify the program might lead to an attack on the entire tobacco support program.

While the validity of these fears is certainly open to question our purpose this afternoon is, first, to determine the desirability and feasibility of attempting to change the tobacco program and, second, if the program is to be changed, to determine the best means of doing so.

There is little doubt that the concept behind the tobacco program is sound. It has provided protection to thousands of producers over a number of years at little cost to the taxpayer. It provides an economic base for thousands of small farmers who make substantial contributions to the production of other needed farm products. It must be retained.

The question we must answer here today is whether or not that program can be improved and strengthened and, if so, how?

Several courses of action have been proposed. They include retaining the program as it is, changing the 1959 base year used in the formula to a more recent year, revising the formula to give recent years greater weight, basing the support price on 75 percent of parity, tying the support price to the previous year's market price, and changing the calendar year basis in the formula to a marketing year basis.

I know that all of us closely connected with the tobacco industry want to do what is in the best interest of all segments of that industry not only for the weeks and months but also for the years ahead. I hope, consequently, that we can work together and devise a proposal to be included in the farm legislation that will be in the interest of growers, warehousemen, manufacturers, exporters, and others who share in this great industry.

Our next witness is Mr. William E. Little, commodity director of the North Carolina Farm Bureau.

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Senator Helms?

Senator HELMS. I want to introduce Mr. Little. Bill is a fine citizen of my State, Mr. Chairman, and represents a fine organization. I think you will find that he speaks eloquently and on behalf of the vast majority of the tobacco growers in North Carolina. I am pleased to have him before this committee.

STATEMENT OF WILLIAM E. LITTLE, COMMODITY DIRECTOR, NORTH CAROLINA FARM BUREAU FEDERATION, RALEIGH, N.C.

Mr. LITTLE. First of all, we want to express our appreciation for this opportunity to bring our grower views to you this afternoon.

Tobacco is the No. 1 farm income producer in North Carolina with gross grower receipts for 1974 estimated at about $834 million. Tobacco is grown in 91 of the 100 countries in the State, and approximately 270,000 people are engaged in producing the millions of pounds of leaf grown in North Carolina every year. In addition to grower involvement, we have approximately 28,000 North Carolinians employed in the manufacture of cigarettes and other tobacco products. Our growers have demonstrated their strong support of the tobacco program since its inception in 1938. Tobacco growers have always shown good judgment and a willingness to make the necessary production adjustments required to meet domestic and foreign market demands.

Tobacco plays such a major role in our total economy in North Carolina that we are always apprehensive about proposed changes, especially after our program has been so successful and widely accepted by all segments of the tobacco industry.

During recent years, much dissatisfaction was expressed by our Flue-cured tobacco growers over local marketing conditions that were plagued by delayed marketing. For example, there were long lines of grower trucks loaded with tobacco ready to enter warehouses but having to wait outside for days, sales holidays and other factors leading to almost chaotic marketing conditions.

Beginning with the 1974 marketing season the Flue-Cured Tobacco Advisory Committee with representatives from growers, markets or warehouses, and buying interests developed and instituted several marketing innovations with the assistance of the U.S. Department of Agriculture.

The new operating procedures provide for growers to designate sale of tobacco to a warehouse or warehouses of their choice prior to the marketing season and also to redesignate to other warehouses during the season if they so desire. Also, another important provision provides for early marketing opportunities in each producing area as the tobacco is ready for marketing.

The marketing changes introduced in 1974 have won widespread support from our growers and we feel from all segments of the tobacco economy.

Two resolutions passed by and supported by all tobacco-growing counties at our last annual North Carolina Farm Bureau Convention during December 1974, emphasize grower support:

(1) We continue to support the Flue-Cured Tobacco Marketing Committee in their efforts to see that markets are open when tobacco is ready for sale in any flue-cured tobacco producing area.

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(2) We favor the present designation program and support the flue-cured tobacco marketing committee in developing schedules of sales.

The Tobacco Marketing Committee has been very active since the 1974 season in developing various modifications or marketing improvements for the 1975 season.

Tobacco growers or producers of other farm commodities are concerned over rising production costs. We realize that a margin of profit must be maintained to keep a healthy and growing industry to meet domestic and export requirements.

Although we are fully aware of the impact of inflation upon tobacco production, we view with some concern any proposed tobacco legislation during 1975. We feel that any new tobacco proposals by the tobacco industry in Congress at this time would place in legislative jeopardy a program that has meant so much to growers for these many years.

We would recommend that a very detailed study be made of the current pricing formula during 1975 before the introduction of any new tobacco legislation. We need to be able to muster the united forces of all tobacco segments before we proceed with any tobacco legislation.

It is apparent now under our current pricing formula with the 3-year moving average that projected grower prices for 1976 will be beyond the 12-percent increase received for the 1975 crop.

A real concern of tobacco growers at the present time is the threat of imports. We are aware of the increasing buildup of foreign-produced tobacco in the inventories of manufacturers and dealers in our country. Tobacco growers will require the best research and technology available to them in order to maintain and expand our export position in world tobacco trade.

Tobacco has been a part of our great American heritage since colonial days and growers are anxious to keep a tobacco program that has served them so well for so long on sound operating procedures.

Again, your interest and concern for tobacco is greatly appreciated. Thank you.

Mr. Chairman, and members of the committee, thank you very kindly for this opportunity to express our views.

Senator HUDDLESTON. Any questions?

Senator Helms?

Senator HELMS. As I understand it, you are not saying that the cost of production is not going up in North Carolina as elsewhere, but you think the pricing mechanism probably is preferable to governmental action in view of what may be termed the political situation, is that so?

Mr. LITTLE. This is exactly right, Senator Helms. We are very apprehensive at this time. Certainly, we feel that the growers are entitled to increased prices in the marketplace. We are very much concerned about any buildup of stocks and we don't want to leave the impression that growers do not deserve more. We are aware that prices will in-

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crease, but again we are somewhat concerned and maybe alarmed at the point you just made.

Senator HELMS. If you will state for the record the average price for Flue-cured tobacco, that would be appreciated and, Mr. Chairman, I would emphasize we are talking about Flue-cured as opposed to Burley. We do have production of it in our State, but we are talking about Flue-cured now.

Take the last 3 or 4 years and give us the average.

Mr. LITTLE. The recent average of Flue-cured tobacco is over $1.05 a pound. I am referring to the year 1974 as having an average of $1.05 per pound. In 1973, it was 88 cents per pound.

Senator HELMS. Do you recall the figure for 1972?

Mr. LITTLE. It was 85.3 cents per pound.

Senator HELMS. Well let me ask maybe the chairman or some staff member who would be better qualified to answer this, but is there the competition from foreign markets in the Flue-cured area that exists in the ——

No; I mean, is there the competition in the Burley tobacco from the foreign markets of the Burley type as there is in the Flue-cured?

Senator DOLE. The article I just mentioned indicates there is.

Senator HELMS. Do you know the answer to that?

Mr. LITTLE. Senator, our opinion would be there are areas of competition. One of the areas we find competition is of course Flue-cured. Agricultural scientists from North Carolina State University who visited Brazil recently have related to us the potential Flue-cured competition as well as Burley competition.

Senator HELMS. Yes; but are they going to Burley as extensively as they are into Flue-cured?

Mr. LITTLE. This I cannot answer.

Senator HELMS. I just wondered if the staff maybe knows.

Mr. CASSO. We will get it for the record, Senator.

[The following information was subsequently supplied by the Committee staff, for the record:]

LEAF TOBACCO: WORLD PRODUCTION BY KINDS, AVERAGE 1968–72, ANNUAL 1973 AND 1974 [1]

[In million of pounds]

Kinds	Average 1968–72	[2] 1973	[3] 1974
Flue-cured	3,898.9	4,403.9	4,819.1
Burley	913.5	947.4	1,090.2
Oriental	1,632.1	1,729.7	1,767.2
Other light Air-cured (includes Maryland)	762.6	764.1	783.0
Dark Air-cured and Sun	2,312.3	2,374.9	2,518.1
Dark Air-cured (cigars)	333.1	315.1	291.1
Dark Fire-cured	122.1	134.6	128.6
Total	9,974.6	10,669.7	11,397.4

[1] Production on farm-sales-weight basis, which is about 10 percent above dry weight normally reported in trade statistics.
[2] Subject to revision.
[3] Preliminary.

FLUE-CURED TOBACCO: WORLD PRODUCTION, BY MAJOR COUNTRY, AVERAGE 1960-64 AND 1968-72, ANNUAL 1973 AND 1974 [1]

[In millions of pounds]

Country	Average 1960-64	Average 1968-72	[2] 1973	[3] 1974
United States	1,335.2	1,063.5	1,156.7	1,260.2
China, People's Republic of	538.8	1,010.1	1,366.9	1,445.0
India	183.9	232.8	256.8	310.0
Canada	183.7	212.9	251.2	258.2
Brazil	119.2	169.6	156.1	238.1
Japan	203.9	226.1	204.0	191.8
Korea, Republic of	56.1	118.5	171.6	165.9
Rhodesia	224.5	133.9	130.0	165.0
Philippines	72.1	78.2	56.4	65.7
Thailand	22.9	47.2	46.0	64.8
China, Republic of (Taiwan)	38.4	41.4	34.6	35.0
Tanzania	3.5	17.9	27.6	26.0
Malawi	2.6	11.1	22.0	23.2
Zambia	16.6	12.1	13.7	13.7
Other	333.3	523.6	510.3	556.5
Total	3,334.7	3,898.9	4,403.9	4,819.1
Total, excluding China, People's Republic of	2,795.9	2,888.8	3,037.0	3,374.1

[1] Production on farm-sales-weight basis, which is about 10 percent above dry weight normally reported in trade statistics.
[2] Subject to revision.
[3] Preliminary.
Note: Totals computed on unrounded data.
Source: Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research, and related information.

BURLEY TOBACCO: WORLD PRODUCTION BY MAJOR COUNTRY, AVERAGE 1960-64 AND 1968-72, ANNUAL 1973 AND 1974 [1]

[In millions of pounds]

Country	Average 1960-64	Average 1968-72	[2] 1973	[3] 1974
United States	623.0	557.8	450.4	563.3
Italy	25.1	69.2	89.6	89.3
Korea, Republic of	3.5	38.9	71.7	64.2
Mexico	10.5	27.0	43.1	52.7
Japan	18.4	24.4	41.1	41.7
Spain	38.7	34.5	39.7	37.5
Brazil	4.0	25.8	23.6	30.9
Argentina	1.7	12.2	16.4	22.9
Greece	2.6	26.2	31.2	21.8
Malawi	3.9	10.3	13.3	11.8
Other	43.2	87.2	127.3	154.1
Total	774.6	913.5	947.4	1,090.2

[1] Production on farm-sales-weight basis, which is about 10 percent above dry weight normally reported in trade statistics.
[2] Subject to revision.
[3] Preliminary.

Note: Totals computed on unrounded data.

Source: Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source material, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research, and related information.

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Senator HUDDLESTON. I remember at the earlier part of the season, there was a good deal of dissatisfaction with prices.

Mr. LITTLE. Yes; there was.

Senator HUDDLESTON. What happened as the season progressed?

Mr. LITTLE. As the Flue-cured season progressed, the prices did improve. There were probably many factors, Senator.

One, of course, reason stated for that in the beginning is the type of tobacco on the stalk that was being offered. Now the demand apparently was not great for this, but later on in the season as it progressed, we found it steadily increased until it was very satisfactory.

Senator HUDDLESTON. Now, if the political climate seemed good—if there were not dangers that the entire tobacco program might be destroyed—do you think it would be reasonable to increase the support price for Flue-cured?

Mr. LITTLE. Certainly we feel, Mr. Chairman, that it would be somewhat feasible. We should not ignore the political situation, but we do feel at the present time that we should make a thorough study of the formula, the 3-year moving average, the formula we now have. We realize of course the point that is being made, you know, that the cost really has begun to rise. Of course, agricultural costs in 1973 and 1974 more so than in 1972 did begin to rise, but we are aware that when the year 1972 is dropped from the formula and 1975 is added, we are going to see a greater increase reflected in the formula and could come near approaching the 75 percent of parity or above that is being presented here this afternoon.

But maybe the economists might be able to point that out more clearly.

Senator HUDDLESTON. You are saying the difference is worth taking the risk, in other words?

Mr. LITTLE. This is one of the main reasons, yes, that we are very much—that we are very much concerned, based on the past history of the legislation and particularly the antitobacco forces that are apparent in this country, and we are just sort of——

Well, we do have the attitude, I think, that is most of our farmers, that we'd better let good enough alone in 1975.

Senator HUDDLESTON. Any other questions?

Senator HELMS. I would just raise a question for the record here. Your membership covers how many counties now?

Mr. LITTLE. We have membership in all 100 counties of North Carolina. There are 100 organized counties, and we have membership. We have approximately 100,000 members.

Senator HELMS. Do you think it is a fair assessment that what you are testifying to here today is acknowledged amongst most of the tobacco farmers in North Carolina?

Mr. LITTLE. I would say amongst most of them, Senator Helms; yes. Certainly there would be others that would not have this opinion and would not share this opinion, and I think this is expected and

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anticipated, but based on the recommendations that have come in from our counties that have been tabulated, I would say we feel that we are expressing generally the majority opinion.

Senator HELMS. Very well.

Senator HUDDLESTON. Well, thank you very much.

Our next witness is Mr. John Berry, president, Burley Tobacco Growers Cooperative Association, Lexington, Ky.

Mr. Berry, we are glad to have you before this committee. You have appeared here before and we are glad to see you every time.

STATEMENT OF JOHN M. BERRY, PRESIDENT, BURLEY TOBACCO GROWERS COOPERATIVE ASSOCIATION, LEXINGTON, KY.

Mr. BERRY. Thank you, Mr. Chairman. I am glad to be here.

Senator HUDDLESTON. You may proceed.

Mr. BERRY. Mr. Chairman, and gentlemen of the committee, I am John M. Berry from New Castle, Ky., and I am president of the Tobacco Growers Cooperative Association of Lexington, Ky.

I appeared here on December 12, 1974, in regard to this same subject. My testimony then was prepared in written form and I do not have a prepared statement today for two reasons, one of which I will recite, and that is that inasmuch as our position has not changed since December 12 with respect to modification or amendment of the price support program for burley tobacco, I ask then the committee to permit me to file a copy of the hearings which contain my testimony, beginning on page 57. This is the record of hearings on that date.[1]

And I will call the reporter's attention to two corrections that I have taken care of. One is one brief paragraph on page 60, which was an exchange between you and me and which was badly garbled. I have straightened that out.

[NOTE.—On p. 60 of the tobacco price support hearings, Dec. 10 and 12, 1974, the fifth paragraph should have read as follows:]

Mr. BERRY. To the program. And I don't think the taxpayers or the Congress are going to indulge us in losses. After all, we are not producing a food, or a fiber; and you gentlemen up here know better the situation than I do. But I know that we have been hearing over the years proposals to discontinue all appropriations. We even hear proposals to discontinue quotas and discontinue price supports, and we are apprehensive about it.

Mr. BERRY. Then on page 61, I indicated in longhand or by pencil rather, an error of $52 million, whereas it is actually 52 million pounds.

I would amplify the portion of my testimony that I gave on December 12 with reference to the imports of foreign-grown burley tobacco. In that testimony, I expressed great concern on behalf of the association that I represent and speak for over the increasing imports of foreign-grown Burley tobacco.

In 1961, the figures for the imports of both Flue-cured and Burley tobacco began to appear. Previous to that time, the imports had not been of sufficient quantity to warrant the publication of the figures, but in 1961, it showed up as—and this is the import of Flue-cured and Burley—it showed up as 100,000 pounds. Then they increased annually by about 100,000 pounds until they reached 600,000 pounds in 1967.

[1] See Tobacco Price Supports, hearings before the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices of the Committee on Agriculture and Forestry, U.S. Senate, Dec. 10 and 12, 1974, pp. 57-67.

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Then I called the committee's attention to the fact that for the first 6 months of 1974 the figures showed the importation of 34 million pounds of Flue-cured and Burley tobacco. And at that annualized rate, the increase had been 1,000 percent in 7 years.

Now, I had available to me at that time the stocks reports that is the stocks tobacco on hand in the inventories of dealers and manufacturers, and on October 1, 1973, the stocks on hand of foreign-grown Burley tobacco was 35,925,000 pounds. One year later on October 1, 1974, the stocks on hand in dealers' and manufacturers' inventories had increased to 88,353,000 pounds. I just received a few days ago the same report for January 1, 1975, of the stocks on hand of foreign-grown Burley tobacco, and on that date it was 118 million pounds.

From October 1, 1974, to January 1, 1975, the increase in the stocks of foreign-grown Burley on hand was 52 million pounds. Moreover, from October 1, 1973, to January 1, 1975, the importation of foreign-grown Burley tobaccos increased 304 percent. It is increasing progressively.

Since October 1, 1974, until January 1, 1975, the increase is 30 million pounds.

Now it has been said by at least one representative of the buying interests that they have been forced to import foreign-grown Burley because of the shortage here. I want you to take a look at this. Look at the figures. The Department preliminary to setting the quota for Burley tobacco for 1975 used the estimated production figure of 571 million pounds. It looks like one can safely estimate the production for the 1975 Burley crop at 610 million pounds. The carryover for Burley tobacco October last was 1,000 and—no, it was 1,070 million pounds or the total supply, as the figures turned out for the 1975 crop, is 1,684 million pounds of Burley tobacco.

Now if the disappearance estimated by the Department for the coming year be 630 million pounds, then there is on hand 2.67 years supply as against the statutory formula of 2.75 years. Or in other words, there is a shortage.

If the anticipated disappearance would be 630 million pounds, there is a shortage of eight-hundredths of a year.

Now the disappearance last year was 619 million pounds. It is as equally safe to anticipate a disappearance of 620 million pounds, even though the number of pieces have increased in manufacture, Senator, because of the condition of the economy.

And so, if we say 620 million pounds will be the disappearance, then that means that there is a total supply on hand of 2.71 years, or four-hundredths of a year shortage, or 25 million pounds.

Now, as I said a moment ago, the gentlemen in the buying industry, the manufacturing industry, say that they have been forced to import foreign-grown Burley because of the shortage. Well, the shortage here presently, if there is one, is negligible, but let me cite you one instance of where they have imported foreign tobaccos for manufacture in this country, Senator.

In about the early fifties, they were importing and using in this country about 68 million pounds of oriental leaf and the figures began to move and they began to increase. I wrote ex-Senator Earl Clements of the Tobacco Institute a letter in 1967, calling his attention to the fact that we had always joined forces with his people in representing

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tobacco, and I told him that from my examination of the figures at that time, the use of foreign-grown oriental tobaccos had increased 100 percent.

In the prewar period, they used in the blend about 8 or 10 percent, you see. And, at that time, this is when I wrote that letter, it was in excess of 16 percent, as I calculated it. And I said to him in the letter that there is not much reciprocity when that type of thing is happening.

And I have a letter back from him, in which he reported that Mr. Frank Dryden, who was one of his assistants, made a study at the Department of Agriculture and said that my position, or the claim I made, was not so. Well, gentlemen, I had already been to the Department of Agriculture and got the figures and reached the conclusion that I reached, so I didn't supply any further figures. I just left it there.

But, why were they importing oriental tobaccos? Because they were cheaper, of course.

Look at the stock reports today and look at October 1 of 1974. Oriental tobaccos in the inventories of dealers and manufacturers were at 350 million pounds. On January 1, 1975, they were at 375 million pounds. They are tapering off, I understand, the imports of orientals, because the price is rising.

Now, I have heard a lot of talk over the years about selectivity and that we have to do this and we have to do that. My opinion has been, for about 35 years, that selectivity is a matter of attractive price. Now, what is the situation that we are in on this proposal, or rather the proposals that have been made. and that are pending before this committee for consideration?

I have received projections, four of them. I received three from one source and the fourth I received by a telephone call from your office, Mr. Chairman, just last week. These projections start out with the cost of 1974 at the then existent loan rate of 85.8, and under the 3-year marketing moving average, the figures show 93.2, and under the 75 percent of parity, it is 110.6, and under Robert Miller's projection it is 95. They go right on down to 1980, when, under the present law, the loan rate would be \$1.40 per pound, and under the 3-year moving average, it would be \$1.44$\frac{7}{10}$ and under the 75 percent of parity, it would be \$1.55$\frac{4}{10}$, and under Robert Miller's projection, it would be \$1.46$\frac{4}{10}$.

Now, if you present it to any average tobacco grower, those projections, he would be delighted that he was going to get by 1980 the maximum under 75 percent of parity, \$155.4 percent, for his crop of tobacco.

Now, those projections, I am sure, are accurately calculated or mathematically accurate but, even so, they are of utterly no worth because they are projected on the assumption that the cost of doing business and the cost of producing are going to continue to spiral, and yet they make those projections and it is used by the proponents of this legislation to convey the impression that this is what will occur under one of these four plans. They do it, notwithstanding the fact that the topic of principal national interest today is retarding inflation.

And, I feel we'd better try to retard it.

They are going on the assumption that the costs in 1980 will be greater than in 1974 and the cost in 1976 will be greater than in 1975. Now, what reason is there for assuming that? Are we going to be in-

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timidated here in the Congress—that is, are you going to be intimidated in the Congress by the force of inflation and say that there is just nothing we can do about it?

Well, of course, if you don't do something about it, then the costs will spiral.

Now, foreign-grown burley is coming into this country at 57 cents a pound, plus the import duty of 11½ cents per pound. Now, you all know they have gone to Greece and Turkey in the past for cheaper oriental tobaccos. They will go to Costa Rica, to Brazil, to Mexico, to South Korea, perhaps even to Canada, for cheaper burley tobaccos and with what results?

The stocks-on-hand reports will reflect increasing and alarmingly increasing quantities of foreign-grown burley tobacco. In a short time, maybe just 3 or 4 years, our national marketing quota for burley tobacco can be cut in half, and then there will be crying and complaining about dollar receipts and the dollar outlays.

Senator, I would file this one copy of those projections here, if I could.

Senator HUDDLESTON. Without objection, so ordered.

[The projected burley tobacco price support levels follow:]

PROJECTED BURLEY TOBACCO PRICE SUPPORT LEVELS UNDER VARIOUS METHODS

	Present law—3-calendar-year moving average	3-marketing-year moving average	75 percent of parity	Robert Miller's
1974	85.8	93.2	110.6	95.0
1975	96.1	105.8	119.7	110.4
1976	109.2	117.9	121 2.	122.4
1977	120.7	126.5	125.9	128.7
1978	128.1	132.8	131.6	133.8
1979	134.4	138.8	142.0	140.7
1930	140.1	144.7	155.4	146.4

Mr. BERRY. Now, it was testified here that the price of tobacco next year will be even better than it was this year, and yet it is on everybody's lips that the price last year was excellent. Mind you, Mr. Chairman, if you will go to the country areas of Kentucky and into the country banks, you will find that the pay-off this past year, as a result of the 1974 crop of tobacco, was the best in the history of those country banks.

Now, we have great difficulty down at the Burley Association, and, in fact, we simply cannot understand why there is the persistent pressure here at this level to change or modify the price support formula for tobacco. No one would complain about a farmer having $2 a pound for his product, his toil and his investment and his outlay, but the consensus is—and we see it and hear of it all of the time—the consensus is that there are hazards, there are legislative hazards here.

Indeed, pending before the Congress now, and presented by the gentleman from Michigan, is a bill to terminate all price supports. Mr. Peyser of New York, as I am sure you all know, is strongly against anything for tobacco at all.

The gentleman from Utah likewise opposes tobacco, and is opposed to benefits. After I was here on December 12, I addressed a letter to all of the members of the Kentucky delegation who are Members of the present Congress, and I said to them that we were

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very apprehensive about the risks of opening up tobacco legislation. I had the courtesy of a reply from everyone, but one of the members of the delegation, and the replies were as follows:

I share your concern over the potential dangers, both economic and political, associated with legislation to revise the tobacco price support program.

Another one:

With the increasing opposition to any kind of support programs, it would be foolhardy to go to the Senate floor with a program that is not generally acceptable to all concerned.

And another, to whom I had cautioned in the letter that everyone up here from the tobacco States be right still and hope that the word "tobacco" is never mentioned in the Congress except of necessity in the consideration of agricultural appropriations, and the reply was that:

For the past few years I have been right still and agree with you that if tobacco is ever mentioned in the Congress, a disaster could erupt.

And another says:

I appreciate your taking the time to carefully set down your thoughtful and sane views regarding the tobacco program. I am in complete agreement with your letter.

And another, dated December 30, states:

For the most part, these are small growers, small family type operations, who cannot boast of a 60 cent a pound production cost that the large corporate-type operations in some sections of the state and the nation can.

Continuing on, he said:

I honestly do not know what the situation will be in the 94th Congress, but if what I hear is true the House Agriculture Committee, at least, will be strongly influenced by consumer interests. I would doubt any compelling interest in or friendship for tobacco and the people who grow it.

Now then, Kiplinger says that of the 40-member Committee on Agriculture in the House of Representatives, 19 of them are brand new.

Then I had this letter, which was in response to a letter that I wrote November 26, and this comment with reference to the dangers was made:

John, I cannot urge this point too strongly—that is, the urgency of getting legislative action in the 93rd Congress in preference to attempting action in the 94th Congress—for I am not at all sure that price support legislation for tobacco will be favorably looked upon in the 94th and subsequent Congresses. We shall simply have to take our chances. The House Committee on Agriculture is almost sure to be a much changed institution in the days ahead. If we cannot persuade the Senate to act promptly to pass the House bill before adjournment, the alternative is a full-scale debate on the tobacco price support program by a new House Agriculture Committee.

Now, it is not the concern and fear only of those of us from the country board of directors down in Lexington, but there is concern by people up here in the Congress, who know about the situation and who know that the chances are serious and grave, and yet we persist in the effort to do something about this.

We came into a market price last year of unprecedented height and next year, if we can produce a 750, 770, or 780 million pound crop, I don't think we can anticipate, as was testified here, prices equal to this year's prices or greater, and mind you——

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Senator HUDDLESTON. Mr. Berry, I think we are running out of time.

Mr. BERRY. Oh, let me insert one thing in that connection. I didn't know you had a time limit.

Senator HUDDLESTON. We are trying to hold the time limit down to 10 minutes.

Mr. BERRY. Oh, I wish I had known.

Senator HUDDLESTON. It is all right. Your testimony has been very helpful.

Mr. BERRY. If I had known, I would have been glad to have observed any limit you might have imposed.

Not only is the economy declining generally, but also in tobacco. Brown & Williamson Tobacco Co. last week turned out 395 of its production workers. Why, you ask? Because of sagging sales of their products.

Gentlemen, we have a program and it is the best one of all the five that were passed by the Congress almost 40 years ago. It is the only one that has functioned eminently. It has been a great success. We hope you won't disturb it.

Senator HUDDLESTON. Thank you very much, Mr. Berry.

You are very persuasive, and the fears that you express, I can assure you, are well taken. Those of us on the committee are aware of them. As a matter of fact, that is part of the reason for this hearing, namely to try to assess our position both politically and economically as far as the tobacco program is concerned.

So, we appreciate your testimony and your vast experience in this field.

Mr. BERRY. Thank you, sir.

Senator HUDDLESTON. Our next witness is Dr. Milton D. Shuffett.

Dr. Shuffett, good to see you again. I think you can just go right ahead.

STATEMENT OF DR. MILTON D. SHUFFETT, PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF KENTUCKY, LEXINGTON, KY.

Dr. SHUFFETT. My name is Milton Shuffett. I am a professor of agricultural economics at the University of Kentucky.

My interest in the matter under consideration by this committee and the interest of the institution I represent stems from the economic importance of burley tobacco to the producers and agribusiness in Kentucky. Over 135,000 farmers have burley tobacco quotas in Kentucky.

In the burley belt there are about 288,000 individual farm quotas. My comments will relate totally to burley and primarily to the problems of Kentucky burley producers.

For decades burley tobacco has been the most important cash crop in Kentucky. In 1974 burley producers in Kentucky received approximately $460 million from the sale of this crop.

The economic well being of much of rural Kentucky is heavily dependent on income from the production and sale of burley tobacco. The average size, topography, and soils of most Kentucky farms and the small amount of cropland utilized in burley tobacco production

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means that there is no viable alternative or replacement for tobacco as a source of farm income on most of Kentucky's smaller farms.

The market structure for tobacco is such that the Congress has, since 1940, recognized the need for providing price protection to growers in the form of price supports. Growers have been highly in favor of the production control-price support programs in tobacco as indicated by heavy participation in and overwhelming approval of the program in referendums held every 3 years.

Observations from working with grower organizations and tobacco farmers in educational meetings over the past year indicate growers have become increasingly concerned over the possible price and income effects that likely will be associated with a burley crop that is in excess of utilization. Burley production requires heavy inputs of fertilizer and labor, both of which have advanced sharply in price during the past 2 years.

In data presented to this committee in the past session of Congress, I estimated a per pound cost of production for burley tobacco in 1974 at 93.6 cents. Further work at Kentucky based on detailed records for farms in central Kentucky during 1974 showed a cost per pound of $1.02 when allotment was valued at 25 cents per pound. A recent report from the Ohio State Extension Service indicated costs in 1974 were $1.02 per pound for Ohio for burley yielding 2,500 pounds per acre.

The rapidly rising costs of production for burley tobacco have not had a serious impact on producer incomes at this time. Due to underproduction of effective quotas by 20 percent and 17.5 percent for 1973 and 1974 respectively, burley tobacco market average prices were 14 cents per pound above supports in 1973 and 29.2 cents per pound over supports in 1974. Had burley prices in 1973 and 1974 been near actual supports, as experienced by burley producers in most years when the crop is at or above utilization levels, the profits from burley tobacco production would have been drastically reduced.

Growers and trade interests have expressed concern over the possible impact of underproduction over time. The need for producing adequate supplies of burley for domestic and export markets is recognized as essential. Underproduction of quotas by a total of about 236 million pounds for 1973 and 1974 was related to unfavorable weather in both years and to rising costs of producing the crop.

The present formula for computing price supports was initiated for the 1961 crop. The change to the present formula which uses the average of the 3 preceding years of the index of prices paid by farmers was intended to relate future changes in tobacco supports (from 1961) to changes in the farmers cost of production.

The formula appears to have worked well during the 1960's and early 1970's. From 1961 to 1968, the index of prices paid by farmers increased by 17.5 percent and burley price supports increased by 11 percent. During 1969–72, prices paid increased by 15.8 percent and burley supports by 13.8 percent.

The problem of wide discrepancy in cost and price support relationships began in 1973 and became much greater in 1974. During the 1972–74 period, the prices paid by farmers index increased by 32.6 percent while burley price supports increased by only 14.5 percent. The impact of this discrepancy has not been felt by farmers due to high market prices in both 1973 and 1974 which resulted from short crops and increasing utilization of burley.

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However, even with the sharp increases in burley prices in 1973 and again in 1974, tobacco prices have not advanced as much as prices for other major cash crops produced in Kentucky and which compete with tobacco for land and other resources. This too has been a factor in underproduction.

Increases in prices of major cash crops in Kentucky since 1961 have been: corn, 204 percent; wheat, 118 percent; soybeans, 246 percent; and burley tobacco, 73 percent. Had burley prices increased by the amount of the average increase in corn, wheat, and soybean prices from 1961 to 1974, the price would have been $1.92 per pound in 1974.

Some concern has been expressed over the possible impact of increasing price supports on the possible buildup of stocks of tobacco under price support loans. The danger of this is much less than in previous years.

Both burley and Flue-cured tobaccos are now under production control programs that are on a poundage basis. One of the important aspects of today's tobacco programs is that they are in fact control programs.

If annual quotas are related to supplies on hand and market needs, the possibility of pool stocks build-up to levels experienced earlier under acreage control programs is remote indeed, particularly if any increase in supports for 1975 is such that support price is lower than the market average prices received for the 1974 crop.

Another possible area of risks to increasing support is the risk of decreased exports of U.S. tobacco and increased imports of foreign produced tobacco for use in manufacturing domestic products. Certainly price is a factor in foreign trade for tobacco.

However, experience with the export subsidy program for tobacco in earlier years and devaluation of U.S. currency in recent years which tended to reduce price to foreign customers indicates that trade in tobacco does not respond appreciably to modest price changes. In the case of burley tobacco under the present situation, the lack of supplies from domestic production appears to be a greater threat to reduced exports and increased imports than any increases in price supports that are less than prevailing market prices.

It appears desirable to modify the level of price supports to more nearly reflect current costs of production. Several alternatives could be assessed for the method of modification.

In 1961, it became the policy to relate price support changes to changes in prices paid by farmers in the immediately preceding 3 years. The rapid inflation of 1973 and 1974 has created a disparity between price supports and current costs due to the lag effect associated with the 3-year average used.

One alternative and the alternative that would more nearly relate supports to prices paid would be to replace in the present formula, the 3-year average of index prices paid with the index for the most recent year. Such a change would result in price supports for the 1975 burley crop at about $1.10 per pound compared to 96 cents.

Another alternative and one which would gradually adjust to a formula reflecting the most recent year's experience in prices paid would be to make the adjustment in two steps as follows: (1) Fcr 1975, adjust the present formula to include an average of the most recent 2 years for prices paid by farmers. This would result in a support

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rate for the 1975 crop of burley at $1.03; (2) for the 1973 and succeeding crops, use only the most recent year's index of prices paid.

A second alternative for modifying supports would be to use the index of prices paid in previous years with varying weights applied to years based on recency. However, moving to a formula which uses only the preceding year's index of prices paid would relate support prices more nearly to a current cost of production basis and moving by stages to this procedure would reduce the risks associated with a sudden and substantial increase in supports.

Whether 1-, 2-, or 3-year averages of the index of prices paid by farmers are used in computing supports, only small differences would result in period when prices are relatively stable. The present problem of disparity between support levels and costs is almost entirely related to the rapid rate of inflation in 1973, 1974, and likely for 1975.

An adjustment in the formula to more nearly reflect grower costs is, in my personal judgment, needed to insure the production of burley tobacco needed for domestic and export markets, and would not, again in my judgment, subject the program to risk of pool stock buildups or the disruption of foreign markets, if the adjustment is such that price supports are below current market prices. In no year since the current formula was initiated would the use of the index of prices paid by farmers in the preceding year as opposed to the average for the most recent 3 years have resulted in support prices that were as high as market average prices.

I appreciate the opportunity to appear before this committee and present this statement.

Thank you.

The CHAIRMAN. Thank you. I came in a little too late and didn't get to hear all of it, but I did read the statement in its entirety. Any questions?

Senator HELMS. No, sir.

The CHAIRMAN. Well, then, we will take the next witness out of order, inasmuch as he has to drive back to North Carolina.

Our next witness is W. K. Corbett, president, North Carolina NFO, Middlesex, N.C.

You may insert your full statement in the record if you desire and summarize it, Mr. Corbett.

STATEMENT OF W. K. CORBETT, PRESIDENT, NORTH CAROLINA NATIONAL FARMERS ORGANIZATION, MIDDLESEX, N.C.

Mr. CORBETT. Thank you, Mr. Chairman, and Senators. I appreciate this opportunity to testify.

With your approval, I will dispense with part of my testimony and submit it for the record. I think that we need to assess this thing as it relates more specifically to Flue-cured tobacco and costs, and exactly what a support program is and what it means to the farmer. So, I would like to go into that portion of my statement; namely, the last portion.

The original tobacco support program called for 90 percent of parity support on tobacco. This was changed to a 3-year history formula that in no way reflects the needs of the tobacco farmer in 1975. The problems that brought on the change in the Act were related to open

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pounds of production on controlled acreage, new heavy production types of tobacco, and an overflow in stabilization inventory.

Today, we have changed our production control to absolute pounds and the stabilization inventories are lower than they should be. There are many good, desirable varieties of tobacco being grown. So, we now need to return to 90 percent of parity for support, because this will be the closest related figures for each year's crop and would be more realistic for that year's cost of production. For example, 90 percent of parity in 1975 is estimated to be $1.35 for Flue-cured.

This would assure the farmer of some better financial situation and make tobacco production vital again, because the farmer would not be running such a high financial risk on his annual production.

A support price of 90 percent of parity would assure a full planting for the 1975 crop and return stability to the entire tobacco industry. Domestic and export needs would be met. I would like to point out here that we are talking about a self-support program, because the money for support is borrowed from local banks and the tobacco is collateral. The only Government involvement is through the CCC, as a guarantee on an annual basis.

The actual cost to the Government in 25 years has only been about $42 million and most of that occurred in one 3-year period. So, what we are really talking about is allowing the tobacco farmer to set his own support program at a more realistic level, or a more responsive formula. Balance of trade credits through exports and domestic taxes far outstrip any program cost related to maintaining a wholesome tobacco economy.

The other items I would like to read out of the testimony are the five items listed at the end. They are:

1. The support price should return to 90 percent of parity.

2. Any increase in tobacco allotment recommended by the Secretary must be approved by a two-thirds majority of the growers.

3. All importations of tobacco products should be taxed at 100 percent of parity—except the aromatic types.

4. The 1974 designation sale plan be entered into the Tobacco Act. Also, no marketing card be issued until the public auction market of the producer's choice has been designated and the tobacco must be sold at the designated or redesignated market.

5. Remove from the law that the Secretary of Agriculture can suspend tobacco quotas, or if quotas are suspended then support prices automatically go to 100 percent of parity.

Gentlemen, these are things that we feel are of essential importance for tobacco at this time.

There are things, in the testimony that I did not read that would be of interest to you. I have at the back possibly the thing that we need to utilize the most. It is a computation of Mr. Joe Chapell of North Carolina State University. Mr. Chapell is a prominent statistician there—whenever you see tobacco figures released from there, that is where we get them.

I have seen his figures used by the North Carolina Department of Agriculture and the USDA. In other words, he is one of the real authorities on the cost of production in this type of study. This particular sheet you have before you is from him. These are absolutely the latest figures that came out—in fact he hasn't even released these

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yet. I got them from him Friday. There are many notes on it that we have made, at any rate, they do represent the latest cost determinations.

When you look into it, you find in the final figure there for 1974, a cost of production of $1,646 an acre. This relates to a 2,100-pound yield per acre.

Now, if a county or a farmer produces less than this, then his costs immediately go up. My own county's average is about 2,000 pounds, which adds basically about 3 cents to the cost of production.

The CHAIRMAN. Would you yield at this point? Are those figures including anything for rent of the tobacco area?

Mr. CORBETT. No, sir.

The CHAIRMAN. Merely an allotment running with the land?

Mr. CORBETT. Yes, sir, this is the raw production costs. He has each item itemized and he has substantiation and then the final price.

At this point, I would rather take the rest of my testimony in the form of questions and relate to your questions more specifically. There is a sheet in the back which shows the North Carolina Department of Agriculture is projecting a $1.10 a pound as the 1975 price.

The CHAIRMAN. Is that Flue-cured or burley?

Mr. CORBETT. Flue-cured.

The CHAIRMAN. Does North Carolina also produce substantial burley crops?

Mr. CORBETT. Sir, you are out of my area.

Senator HELMS. That is a relative term, but we produce right much in the western part of the State; yes.

The CHAIRMAN. Let me ask you this. As you know, tobacco is important in my State also. It is the second or third largest grow crop income in Georgia. All of ours, like yours, is in Flue-cured tobacco. I've heard some express concern that if we get the support prices too high, that we may not be able to get into the export market.

As I recall it, about 1 acre out of every 3 of Flue-cured tobacco is export; is that about right?

Mr. CASSO. Yes.

Mr. CORBETT. Almost half.

The CHAIRMAN. Do you have any apprehension on that score?

Mr. CORBETT. No, sir.

The CHAIRMAN. That is, do you fear that we couldn't export it? And if we are exporting half of it, why that would mean the tobacco acreage would have to be reduced about 50 percent.

Mr. CORBETT. I am a firm believer that if the foreign market did not have to have our tobacco for blends and quality, that they would have acquired it elsewhere.

The CHAIRMAN. I see here it is about half, so you were correct.

Mr. CORBETT. Yes, sir, here is the exact figure.

The CHAIRMAN. Well, thank you.

Any questions? Senator Helms?

Senator HELMS. I think not. I share the concern that was implicit in the Chairman's questioning about foreign markets. We will really go down the tube if you are wrong about this, though.

Mr. CORBETT. Sir, if we have to grow it at a loss, I would prefer that they buy it somewhere else; we were talking in 1974 cost terms; if you will examine this, in terms of cost in excess of $2,000 an acre of pure production costs, that relates basically to $1 a pound costs.

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If I may be personal here, which I did not go into in testimony, but this will bring me to a financial exposure of $60,000 this year on my personal crop.

The CHAIRMAN. Your allotment is about 30 acres?

Mr. CORBETT. Yes, sir, this year, and this type of annual financial exposure related to just one crop, with only a small potential for profit—well, gentlemen, I have no intention to plant it again. The name of the game this year will be to get it planted.

I talked to the county chairman last night, and my county has completely ceased leasing; this is the fifth largest county in the State. The lease price is one-half what it was last year, basically.

The CHAIRMAN. What is the going rate on leases?

Mr. CORBETT. It was around 15 and has dropped off to 13.

The CHAIRMAN. Dropped off?

Mr. CORBETT. Yes, sir, and everybody now is thinking that it is going to be around 10 cents.

The CHAIRMAN. And the yield; what do you get? Do you get about 2,000?

Mr. CORBETT. Yes.

The CHAIRMAN. So that is about $200?

Mr. CORBETT. Yes, sir.

The CHAIRMAN. What did it cost you to produce your tobacco last year, in 1974, per pound?

Mr. CORBETT. Well, according to my figures, Senator, I didn't make any money last year.

The CHAIRMAN. Do you have accurate figures? If you do, you are an exceptional farmer.

Mr. CORBETT. Well, accurate figures on production costs are kind of hard to determine annually because of the escalation of costs.

The CHAIRMAN. You have a vague idea of what it cost you a pound, sir, though?

Mr. CORBETT. Yes, sir, at least $1 a pound.

The CHAIRMAN. What did your average sale price amount to?

Mr. CORBETT. I was very close to the market average, or actually slightly under it. I would say it was around $1.02.

We are not mechanized and——

The CHAIRMAN. Any questions?

Senator HELMS. I think not.

The CHAIRMAN. Thank you very much. We appreciate your contribution to this committee.

[The prepared statement of Mr. Corbett follows:]

STATEMENT OF W. K. CORBETT, PRESIDENT, NORTH CAROLINA NATIONAL FARMERS ORGANIZATION, MIDDLESEX, N.C.

I will direct my testimony to the most immediate needs of tobacco production with the fewest figures possible. My testimony comes to you as a lifetime flue-cured tobacco farmer from Nash County, the fourth largest tobacco county in North Carolina. (30 million pounds).

Tobacco is a high input cost, high risk commodity and at today's prices the financial exposure of a tobacco farmer is unbelievable and at 1974 sales level of $1.05 and support level of $.83, it is simply not good business for the farmer to plant for maximum production, because in 1974 his cost increased approximately 40% and the 1975 cost increase will be up at least 25% which will bring the cost of production to an estimated $2,000 per acre, plus lease ($400). (Cost table N.C. State University).

If you will permit me to use my own farm as an example. I will attempt to show very clearly why the farmer must be overly cautious in planning a tobacco crop. For 1975 my allotment will be 60,000 lbs. (or 30 acres). In order for me to

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plant this production my financial exposure (using N.C.S.U. figures) will be $60,000 for cost of production, plus lease worth of $12,000 (20¢ per lb.) (4.8% of gross worth of farm) for a total exposure of $72,000 (28% of my gross worth). For this kind of risk in 1975 the support price will be $56,000 (93.3¢ per lb.) and the NC Department of Agriculture expects the 1975 market average to be only $1.10 which would return $66,000. Gentlemen, as you can see on this basis I would be taking a $60,000 annual operating expense exposure with the hopes of making only $6,000 or one half the normal lease value of my crop. If someone should lease this crop for a normal lease of $12,000, then he could expect to lose $6,000. I hope these figures point out very graphically why that with today's cost of production and anticipated 1975 support price of 93¢ the tobacco farmer cannot and will not make the vital effort necessary to produce the total poundage needed in 1975.

I would at this point like to address myself directly to the lease price of a tobacco allotment. The lease price is the best indicator of how vital the farmer feels about planting and how much money he is making. The tobacco allotment quota that belongs to each farm and is protected by the county line system is totally interlocked with today's *tobacco economy*—the ability to borrow money, right of support price, tobacco curing barns, machinery, land suitable for tobacco production, etc. All of these things relate to the tobacco quota and must be maintained as a tobacco production unit. Therefore, there is a rental figure that relates to the tobacco quota which gives the person renting it rights to all or any agreed parts of this tobacco production unit. Quotas whether leased or owned represent acceptable collateral in any lending institution in the tobacco areas, and 100% loan ability is an absolute must to finance annual production costs of a tobacco crop. A tobacco quota without a lease value would be like a house without a rental value. No financial institution would finance it and almost no tobacco farmer can finance himself in today's inflated economy. So when the U.S.D.A. and others criticize the lease price of a tobacco quota and the protection of county lines they are in fact advertising the destruction of the tobacco economy and at an annual production cost of $2,000 per acre this would bring instant decrease in tobacco production.

The original tobacco support program called for 90% of parity support on tobacco and this has now been changed to a three year history formula that in no way reflects the needs of the tobacco farmer in 1975. The problems that brought on the change of the Act were related to open pounds of production on controlled acreage, new heavy production types of tobacco, and an overflow in Stabilization inventory. Today, we have changed our production control to absolute pounds and the Stabilization inventories are lower than they should be (100 million lbs.) and there are many good desirable varieties of tobacco being grown. So we now need to return to 90% of parity for support because this will be the closet related figures for each year's crop and would be a more realistic for that year's cost of production (90% 1975 est. $1.34 per lb.). This would assure the farmer of some better financial situation, and make tobacco production again be vital because the farmer would not be running such a high financial risk for annual production. A support price of 90% of parity would thereby assure a full planting for the 1975 crop and return stability to the entire tobacco industry and domestic and export needs would be met. I would like to point out here that we are talking about a self support program because the money for support is borrowed from local banks and the tobacco is collateral. The only government involvement is through the C.C.C. as to guarantee on an annual basis. The actual cost to the government in 26 years has only been about 42 million dollars and most of that occurred in one three-year period. So what we are really talking about is allowing the tobacco farmer to set his own support program at a more realist level on a more responsive formula. Balance of trade credits through exports and domestic taxes far outstrip any cost related to maintaining a wholesome tobacco economy.

Gentlemen, we are vitally concerned with economy of the tobacco areas and many of the small allotments now will have to be used to help relieve unemployment. We must therefore be concerned with a wholesome tobacco economy and in this interest we make five recommendations that need to be entered into the Tobacco Act immediately because the 1975 crop is already started:

(1) The support price should return to 90% of parity.

(2) Any increase in tobacco allotment recommended by the Secretary must be approved by a two-thirds majority of the growers.

(3) All importations of tobacco products should be taxed at 100% of parity (except the aromatic types).

(4) The 1974 designation sale plan be entered into the Tobacco Act. Also, no marketing card be issued until the public auction market of the producer's choice

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has been designated and the tobacco must be sold at the designated or re-designated market.

(5) Remove from the law that the Secretary of Agriculture can suspend tobacco quotas, or if quotas are suspended then support prices automatically go to 100% of parity.

1974 COST PER ACRE (1975—PLUS 25 PERCENT)

Item	Price/unit	Unit	Quantity/acre	Cost/acre
Tobacco seed	$21.00	Ounce	1/7	$3.00
Custom fumigation	14.00	100 yd²	100 yd²	14.00
Fertilizer, 12-6-6	4.60	Hundredweight	0.67 cwt	3.08
Nitrate of soda, 16-0-0	7.00	Cost	0.05 cwt	.35
Fungicides and insecticides	8.00	100 yd²	100 yd²	8.00
Irrigation	1.60	Hour	1.5	2.40
DD Field fumigant	1.45	Gallon	12	17.40
Fertilizer, 4-8-12	4.45	Hundredweight	12	53.40
Soda-potash, 15-0-14	8.65	do	2	17.30
Insecticides	19.20	Acre	1	19.20
Contact sucker control	6.50	Gallon	2	13.00
Royal MH-30	9.50	do	1.5	14.25
Irrigation	1.60	Hour	4	6.40
Fuel oil	.34	Gallon	270	91.85
Twine	2.50	Pound	7	17.50
Marketing charges (3 percent of gross value)			1	66.15
Machinery and equipment operation and repairs.	129.07	Acre	1	129.07
Overhead on equipment and barns	282.88	do	1	282.88
Labor	2.25	Hour	247	556.00
Land (5 percent of value ($600 per acre))				37.00
Management, bank fee (10 percent of gross value).				221.00
Miscellaneous (insurance, tobacco association, etc.).				73.00
Total				1,646.00
Gross value	1.05	Pound	2,100 pd	2,205.00

1974 COST OF PRODUCING TOBACCO (2,100 LB/ACRE)

Item	Cost, pound per acre	Dollars per 100 lb	Percent of tobacco cost
P. bed	32	1.52	
Field	167	7.95	
Labor	104	4.95	
Prime to harvest	303	14.43	18.41
Harvesting cure	350	16.67	
Harvesting labor	452	21.52	
H.C. cost	802	38.19	48.72
Total to date	1,105	52.62	
Overhead equipment	283	13.48	17.19
Total	1,388	66.10	
Land 5 percent of value	37	1.76	2.25
Management—10 percent of value (banks fee)	221	10.52	
Total	1,646	78.38	13.43
Residual to allotments	559	26.62	
Gross value $1.05	2,205	105.00	133.96

OUTLOOK 1975

(1) Started 1974 with no flue-cured surplus with total supply at 2.4 times total use.
(2) Started 1975 with a deficit of flue-cured, total supply down to 2 times total use.
(3) Base quota increased 15 percent, effective quota up 18 percent with carryover quota.

[In pounds]

	Base quota	Unused quota	Effective quota
United States	1,492,000,000	90,000,000	1,582,000,000
North Carolina	983,000,000	69,000,000	1,052,000,000

(4) Price support up 12 percent:
- (A) 1975 average price support 93.3 cents.
- (B) 1974 average price support 83.3 cents.
- (C) 1975 grade price supports will be up 3 to 8 cents.
- (D) 1975 market average is expected to be up, possibly around $1.10 per pound.

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The CHAIRMAN. The next witness is Mr. E. W. Kessler, legislative director, Kentucky Farm Bureau Federation, Louisville, Ky., accompanied by Jack Griffith, vice president of the Kentucky Farm Bureau Federation.

Mr. Griffith.

STATEMENT OF JACK GRIFFITH, VICE PRESIDENT, KENTUCKY FARM BUREAU FEDERATION, MAYSVILLE, KY.

Mr. GRIFFITH. Thank you, Mr. Chairman.

I am Jack Griffith. I am a farmer and my business is producing burley tobacco and also I am vice president of the Kentucky Farm Bureau. I have a very short statement here that I would like to read.

The Kentucky Farm Bureau is a general farm organization representing 157,733 family members—a large majority of whom are tobacco producers.

The current method for computing burley price supports is resulting in an unrealistic price support level in relation to production costs, and should be revised this year to insure adequate tobacco production for domestic and export markets.

The need for such a change was communicated by Kentucky Farm Bureau convention delegates in December when they adopted the following resolution:

> With the price support of burley tobacco having dropped to less than 60 percent of parity under the present 3-year moving average method of computing, we recommend that the formula for setting price supports for tobacco be changed in such a way that it would more adequately reflect the growers' current cost of production.

Without attempting to state here the exact percentage of parity, or the exact dollar-and-cents support price we believe to be proper, we instead would stipulate that (1) the current support level, which is below 60 percent of parity, is not high enough, and (2) a price support in the neighborhood of $1.15 to $1.18 per pound for burley, which we understand would be about 75 percent of parity, would surely not be too high.

Last year's improved tobacco prices will undoubtedly add incentive for farmers to produce their quotas in 1975. However, a more realistic price support level is needed to assure growers that they will be adequately compensated for the additional effort and expense necessary for increased production and to provide additional security for growers. Such incentive is essential if tobacco is to be produced in amounts sufficient to satisfy the increasing demand for U.S. produced tobacco in this country and abroad.

With production costs estimated to continue to rise in 1975, farmers will increase their burley production only if they have confidence in the profitability of the crop. They realize that all-out production of quotas, which has been called for by Government officials and industry representatives, could bring downward pressures on prices in coming years, and without realistic support prices, tobacco growers would not have sufficient protection against loss.

Therefore, it is the recommendation of the Kentucky Farm Bureau Federation that legislation be enacted to provide for a realistic price support of $1.15 to $1.18 for the 1975 burley crop.

Thank you, Mr. Chairman.

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The CHAIRMAN. Well, I congratulate you on the lucidity and brevity of your statement.

Mr. GRIFFITH. Thank you, sir.

The CHAIRMAN. I think you have made a fine contribution to the committee.

STATEMENT OF E. W. KESSLER, LEGISLATIVE DIRECTOR, KENTUCKY FARM BUREAU FEDERATION, LOUISVILLE, KY.

Mr. KESSLER. May I add a couple of points, Mr. Chairman? Two areas have been referred to today and I think it should be noted that in our opinion the danger of piling up higher surpluses or huge surpluses is not nearly so great as has been stressed, since we are now under a poundage program, so it is not near as great as it was back when the formula was changed back in 1959 or 1960 and we were operating under an acreage control program, where the actual control of pounds was much more difficult.

Therefore, we feel that a higher price support level at this time would not give the danger it did at that time.

Secondly, it has been said about the import and export situation, Mr. Chairman, that there will be greater imports and we, too, are concerned about the increase in imports, but I think we must recognize that we need to be equally concerned that if we continue to produce less tobacco than needed, that the imports will likely continue to be high and may be on the increase.

As to exports, well certainly if we don't produce sufficient tobacco to meet the needs of the industry, the need for our tobacco will dwindle. Another thing, Mr. Chairman, we are quite frankly more fearful of is that over the long range the blends might be permanently changed to use less burley and, indeed, less U.S. tobacco.

The CHAIRMAN. Well, thank you very much, gentlemen, for your contribution.

Our next witness is Mr. Charles C. Combs, Burley Farmers Advisory Council, of Richmond, Ky.

Mr. Combs, we are delighted to have you with us.

STATEMENT OF CHARLES C. COMBS, PRESIDENT, BURLEY FARMERS ADVISORY COUNCIL, RICHMOND, KY.

Mr. COMBS. Thank you, Senator.

I am Charles Combs, president of the Burley Farmers Advisory Council.

As burley growers we are fully aware that in order to have a sound tobacco industry there must be adequate supplies of the kinds of tobacco needed by our manufacturers and dealers to satisfy their needs. But, on the other hand, we know that we must constantly guard against overproduction and burdensome oversupplies which drive the prices received by growers below the cost of production and creates stress on our support program.

The quota for 1975 has been increased by 10 percent, making the basic quota of 660 million pounds. When the undermarketings of 100 million pounds is added to the basic quota the effective quota becomes 760 million pounds.

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Growers face somewhat of a dilemma. We must accept our responsibility to produce enough burley tobacco to satisfy demand, yet we feel that the present price support formula does not adequately reflect our skyrocketing production cost and if we should over produce, the resulting decrease in prices would be disastrous.

An adequate support price at $1.15 to $1.20 level would contribute to a more stable price throughout the marketing season and would encourage farmers to produce the needed burley tobacco to meet our demand. This support level is in line with the prices paid during 1974–75 marketing season and we do not anticipate any buyer resistance.

On behalf of the Burley Farmers Advisory Council, I would like to thank the committee for the opportunity of presenting this statement.

The CHAIRMAN. Well, thank you very much, Mr. Combs, for your statement.

What is your acreage allotment?

Mr. COMBS. My acreage allotment? I have about 28,000 pounds, sir.

The CHAIRMAN. What do you produce per acre?

Mr. COMBS. Oh, since we are on poundage, I guess probably around 3,000 pounds per acre. We don't figure as closely now.

The CHAIRMAN. Do you irrigate?

Mr. COMBS. No, sir. I own a small farm and rent a large farm and——

The CHAIRMAN. What does it cost you a pound?

Mr. COMBS. 87 cents or 88 cents.

The CHAIRMAN. What is your average price?

Mr. COMBS. Taking out marketing price, we averaged about $1.19 and it cost me 5 cents to sell it. We are talking about $1.14, Senator.

The CHAIRMAN. What do you estimate this year, over last year, you will receive?

Mr. COMBS. Well, first let me say in order to be assured of fertilizer, I went and paid for some and went to the bank and borrowed money at 8½ percent, so I could have my assurance of fertilizers, and that is just one item, sir.

The CHAIRMAN. Oh, I see. Well, thank you very much for your contribution today. We appreciate it, sir.

Our next witness is Reynolds Bell, vice chairman, Burley Auction Warehouse Association, Paris, Ky.

STATEMENT OF REYNOLDS T. BELL, VICE CHAIRMAN OF THE BOARD, BURLEY AUCTION WAREHOUSE ASSOCIATION, MOUNT STERLING, KY.

Mr. BELL. Thank you, sir.

Mr. Chairman, and members of the committee, I am Reynolds Bell, Paris, Ky., vice chairman of the board, Burley Auction Warehouse Association, and a long-time grower of burley tobacco.

The Burley Auction Warehouse Association is an organization of the owners and operators of warehouses selling burley tobacco in all the eight States of the Burley Belt: Kentucky, Tennessee, Missouri, Virginia, West Virginia, Ohio, Indiana, and North Carolina.

Our members include nearly 90 percent of all the burley warehouses in the United States.

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BAWA is nearly 30 years old. Practically all our warehousemen are tobacco growers and have raised many burley crops over a long period of time.

We represent thousands of people whose income is created by our particular part of the tobacco industry.

The burley tobacco price support program is a tobacco grower program, and the sole purpose of this program is to guarantee the grower a fair price for his tobacco, based on his cost of production.

If the grower is not assured he will receive a fair price for his crop, then the full crop will not be raised and the part that is raised will not be enough to meet the needs of the tobacco-buying companies and the tobacco-buying consumers here and abroad.

Based on a lifetime of growing and marketing burley tobacco, I am positive of one thing—and it will not be contradicted here today or any other day—and that is the plain and simple idea that the only way to assure the farmer a fair price is to provide the farmer a fair price support.

The present average price support is approximately 86 cents a pound. Most of the 1974 burley tobacco crop sold in my warehouse brought around $1.21 a pound, and this was generally true throughout the Burley Belt.

This fact, all by itself, proves that the present price support is not now related to the facts of life.

Granted our price-support program has been realistic in past years, but today, because of the rapid increases in production costs, it is no longer realistic.

We have already seen the basic truth that the farmer simply will not grow this tobacco unless he gets a fair return for his hard work and investment.

During its entire history, the price-support program has not lost $1 on the resale of any tobacco taken under loan by burley cooperatives.

For all these reasons, the Burley Auction Warehouse Association strongly recommends that the Congress prepare legislation to establish an average support price for the 1975 crop of burley tobacco in the range of $1.15 per pound.

Sir, that concludes my prepared statement. With your permission, I would like to make a couple of remarks, and also, with your permission, I would like to read one paragraph from the Lexington Herald, Lexington, Ky., that I clipped out of the paper this morning.

The CHAIRMAN. You may proceed, sir.

Mr. BELL. It reads:

> Price support is viewed as the strongest factor that could hold production in 1975 below the 1974 figure. It has been a major factor in growing demands in Kentucky and an increase in quota has always been far down the list and the central Kentucky growers at times have been heated in their arguments for increased price support and have threatened to hold back production, if it means getting out of the business.

And, if I may continue for no more than 2 minutes, let me say I am quite concerned about our inability to produce the needs for the trade. Now, I am confining my remarks to burley here.

When it comes to Flue-cured, Senator, my knowledge is a bit hazy, but in the year of 1972 we produced less than 500 million and in 1974

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it is going to be about 608 million net, when the final figures are in. The trade needs more than that.

T e CHAIRMAN. What do you base the idea that the trade needs more than that on?

Mr. BELL. From everything I read and what they tell me and what I get from Bob Miller.

The CHAIRMAN. You are talking about domestic and export demand?

Mr. BELL. Yes.

The CHAIRMAN. If your price gets high, will your export demand decline?

Mr. BELL. It is not my feeling that it will. Now, I don't want to see the price get entirely out of line; no. It is not my feeling that the export demand will decline, though.

Now, we are exporting what now? We are exporting about 60 million pounds of Burley. Joe, is that right?

STATEMENT OF DR. ROBERT H. MILLER, COMMODITY ECONOMICS DIVISION, ECONOMICS RESEARCH DIVISION, U.S. DEPARTMENT OF AGRICULTURE

Mr. MILLER. About 83—1973–74, I think for Burley.

The CHAIRMAN. With what production?

Mr. MILLER. Production was 584 in 1974.

The CHAIRMAN. In other words, about 20 percent of domestic production is exported on Burley?

Mr. MILLER. This is on Burley.

The CHAIRMAN. And about 50 percent on Flue-cured?

Mr. MILLER. Yes.

The CHAIRMAN. You may proceed.

Mr. BELL. Our Burley export has been increasing, even with the price rise, in the last couple of years, so I don't think the price will deter our export.

It has been said that we are importing too much burley. Of course, we are importing burley. If we can't supply the needs of our processors and manufacturers, then——

The CHAIRMAN. How much burley are we importing?

Mr. BELL. I wish I could give you that figure.

The CHAIRMAN. Is there any arithmetic on that?

Mr. CASSO. We will supply it for the record, Mr. Chairman.

[The following information was subsequently supplied for the record:]

BURLEY AND FLUE-CURED TOBACCO, QUANTITY AND VALUE

Fiscal years—	Quantity (pounds)	Value
Imports:		
Burley and Flue-cured:		
1965	268,000	$110,156
1973	5,947,000	2,149,000
1974	12,471,000	5,675,000
Exports:		
Burley:		
1965	47,081,000	37,132,000
1973	52,443,000	62,451,000
1974	67,743,000	90,723,000
Flue-cured:		
1965	372,743,000	312,469,000
1973	392,245,000	490,721,000
1974	448,984,000	618,468,000

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The CHAIRMAN. Do you know where it is coming from?

Mr. BELL. Various places.

The CHAIRMAN. Which nations, specifically?

Mr. BELL. I wouldn't attempt to tell you where, but various countries I know, and I am concerned about that. And if we don't supply the trade, our good processing companies are going to find that tobacco somewhere else, because the demand for cigarettes is increasing and it is going to increase again in 1975 by 4 to 5 percent.

It has been said that we can produce a crop of 750 million pounds plus, but we can't do that. We don't have the facilities. We don't think we can do that again. We may have done that in the past, but not this time.

But, we can produce a crop of 650 million pounds and that will satisfy the trade pretty well, if we are given the encouragement.

I realize that there is some danger in attempting to get tobacco legislation, but I am willing to take that chance and I am, of course, sure that you folks here can weigh that danger and act accordingly.

The CHAIRMAN. Well, we appreciate very much your testimony and your conclusions and your confidence in the Committee.

Our next witness is S. T. Moore, vice president, Virginia Farm Bureau Federation, Richmond, Va.

STATEMENT OF S. T. MOORE, JR., VICE PRESIDENT, VIRGINIA FARM BUREAU FEDERATION, RICHMOND, VA.

Mr. MOORE. Thank you, Mr. Chairman. I appreciate this opportunity of appearing here.

My name is S. T. Moore, Jr., of Mecklenburg County in Virginia. I own and operate a 1,200-acre tobacco and livestock farm.

I have been actively engaged in tobacco farming since 1945. I am presently vice president of the Virginia Farm Bureau Federation and chairman of the Virginia Farm Bureau Flue Cured Tobacco Advisory Committee.

I appreciate this opportunity to appear before you today to express the viewpoint of the Virginia Farm Bureau and the vast majority of tobacco growers in Virginia on National tobacco legislation.

In summary, I would like to first state that I honestly believe—I mean, our Flue-cured tobacco committee believes that the average producer in our State wants as high a net income as possible from his crop of tobacco. And in arriving at that highest net possible income, I think he is considering some of the following facts, along with the following recommendations.

I believe the large majority is of the opinion that we should continue with our present production control and price support program. He also feels that tobacco should be treated in separate legislation, apart from the general farm program.

The CHAIRMAN. Why?

Mr. MOORE. Well, because he feels that it shouldn't be subjected—that is, he feels it should not be opened up as often, probably, as it is and——

The CHAIRMAN. You know, with only 4 percent of the American people farming now, and if you isolate your agricultural commodities one group at a time, you might get knocked off entirely. If we could pool our forces, we might have more strength at the bridge.

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Mr. MOORE. You may have something there, Senator. We feel tobacco contributes very heavily to America's favorable exports and especially to the balance of payments, and we think that is important to consider.

One thing that we are concerned about is the possible fact that—well, we want tobacco to be permitted to participate in any export program on the basis of any other agricultural commodity. In other words, if Government funds are used to aid in the export market development of other commodities, we would like the same for tobacco.

The CHAIRMAN. I think that is authorized by the law now, if my memory serves me correctly.

Mr. MOORE. Yes, sir, and since we do export approximately 50 percent of our production, Senator, we are concerned with what effect price support levels—well, in other words, a guaranteed price would have on the purchasing plans of our foreign customers.

Again, I would say that in making the final decisions, we would like to take into consideration what effect it might have on the long-range effect on the net income to our tobacco growers and——

The CHAIRMAN. Let me ask you this. What is your allotment, Mr. Moore?

Mr. MOORE. My allotment for this year is approximately 23 acres. I expect to grow, by way of lease, a total of 35 to 40 acres.

The CHAIRMAN. What was your cost of production per pound last year?

Mr. MOORE. Senator, my records are not good enough to tell you exactly. I would say my cost is under 90 cents.

The CHAIRMAN. What was your average price received per pound?

Mr. MOORE. The average price was about $1.05.

The CHAIRMAN. You are an efficient producer. Do you irrigate?

Mr. MOORE. Yes, sir.

The CHAIRMAN. Every acre?

Mr. MOORE. Yes, sir.

The CHAIRMAN. What is your yield per acre?

Mr. MOORE. Oh, about 2,300 to 2,400 pounds.

The CHAIRMAN. Well, thank you very much. We appreciate your contribution.

Mr. MOORE. I appreciate the opportunity to speak here.

[The prepared statement of Mr. Moore follows:]

STATEMENT OF S. T. MOORE, JR., VICE PRESIDENT, VIRGINIA FARM BUREAU FEDERATION, RICHMOND, VA.

My name is S. T. Moore, Jr. of Mecklenburg County in Virginia. I own and operate a 1,200 acre tobacco and livestock farm. I have been actively engaged in tobacco farming since 1945. I am presently Vice President of the Virginia Farm Bureau Federation and Chairman of the Virginia Farm Bureau Flue Cured Tobacco Advisory Committee.

I appreciate this opportunity to appear before you today to express the viewpoints of the Virginia Farm Bureau and the vast majority of tobacco growers in Virginia on national tobacco legislation.

Tobacco is the largest cash crop in Virginia amounting to $122 million in 1973. It is of vital economic significance to growers and industry in Virginia.

We recommend that the present price support and production control programs be continued. Producers through the years have made adjustments to keep supply and demand in balance. Flue cured tobacco growers supported the change to a poundage basis in 1972. Since the cost of supporting the price of tobacco is reported

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to be less than 1% of the total cost of all government commodity price supports, the present program has proven to be very successful. When you consider that local, state and federal governments "take in" about five times as much tax on tobacco as the grower receives from producing his crop, the cost of the price support program is insignificant. Tobacco is a unique crop since it has no substitute and does not compete with another commodity; we, therefore, believe the present separate legislation is necessary to continue a viable tobacco industry.

Much discussion has been surfaced regarding the formula by which the price support level for tobacco is determined. We believe the present formula should be retained until a thorough study can be made to determine whether changes should be made to provide a level more in keeping with current economic conditions. The present three year average formula does reflect increase costs to the producer having the effect of stabilizing price and allowing American tobacco to be competitive with foreign tobacco. The parity basis was abandoned in 1959 in favor of the present three year formula due to the fear that American tobacco would be priced out of the world market.

At this time, I would like to commend the U.S. Department of Agriculture for the innovative and orderly grower designation plan during the past marketing season on flue-cured tobacco markets. The grower designation plan is almost unanimously accepted by the total Flue-cured Tobacco Industry. We hope the Tobacco Advisory Committee that makes recommendations for the grower designation plan will continue at the present ratios of growers, warehousemen, and company representatives and that recommendations for appointment be made by the same organizations.

Turning to world trade, agricultural commodities are the major contribution to a more favorable balance of payments for the United States. Tobacco ranks third to fourth largest of all agricultural exports each year and in 1974 contributed favorably approximately one billion dollars to the balance of payments. Tobacco growers collectively are engaged in export promotion to expand markets and increase sales of American tobacco abroad which should improve the U.S. balance of payments. We, as tobacco growers, request that government programs geared to expansion of markets treat tobacco equally with other commodities in the participation and development of these overseas markets. In the past evidence exists that U.S. aid has been used by underdeveloped countries to develop tobacco that competes with U.S. tobacco. Tobacco growers oppose the use of U.S. money to encourage production of tobacco in these foreign countries.

In conclusion, the majority of tobacco growers are satisfied with the present national tobacco programs and hope that you will utilize your wisdom to continue these programs until the tobacco industry is convinced that more workable programs are feasible.

The CHAIRMAN. Our next witness is Mr. S. J. Stokes, Jr., of Fayette County, Ky.

STATEMENT OF S. J. STOKES, JR., DIRECTOR, COUNCIL FOR BURLEY TOBACCO, LEXINGTON, KY.

Mr. STOKES. Yes, sir. I am S. J. Stokes, Jr., of Fayette County, Ky., and am a tobacco farmer and a director of the Council for Burley Tobacco, and on behalf of the council, I would like to thank the committee for the opportunity of presenting this statement. I would like to read the statement.

The CHAIRMAN. Proceed.

Mr. STOKES. The membership of the council is composed of representatives from the following burley tobacco organizations: The Kentucky Farm Bureau Federation; National Farmers Organization of Kentucky; the Burley Farmers Advisory Council; the Burley Tobacco Leaf Dealers Association; Burley Auction Warehouse Association; three Kentucky tobacco farmers elected at large; and members at large from Ohio and Indiana.

The purpose of the council is to represent the mutual interests of all segments of the burley tobacco industry in the development of

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effective programs, administrative policies and legislation designed to meet the changing needs of this industry. I have been instructed by John Logan, president of the Council for Burley Tobacco to appear here to present the views of the council, adopted by a majority vote, on the issue of price supports for burley tobacco. The council supports legislation that would produce a price support level of between $1.15 and $1.20 a pound for the 1975 crop.

As early as last fall, the council could foresee the need for an adjustment in the price support formula to more adequately reflect production cost in order to get the needed tobacco grown. We at that time began to take necessary action.

Throughout the 1960's the formula for computing price supports, which is based on the average of the 3 preceding years cost, served fairly well in keeping price supports in line with production cost. But beginning with 1970, the price support level failed to keep pace with production costs. For example, from 1973 to 1974 production cost increased by 32.6 percent, while the support level increased by only 14.5 percent.

There has been much concern about getting enough tobacco produced to meet the demands of the market, and at one time, there was even talk of terminating quotas if so-called adequate production could not be accomplished otherwise.

In all of the discussions in which we have engaged, one fact was made clear: that unless the price was more favorable growers of burley tobacco were not likely to increase production.

In summary, the Council for Burley Tobacco feels very strongly that if we are to get the tobacco grown to meet the needs of our domestic companies and to have tobacco available for export, it is imperative that the support level be increased to a level of between $1.15 to $1.20 per pound.

On behalf of the Council for Burley Tobacco, I would like to thank the committee for the opportunity of presenting this statement.

I would like to add one more point. Some witnesses have mentioned the export market, and I would like to make this observation.

During the last 2 years, I might say that the export trade was a determining factor of how high our price went. For example, in the year before last, the market went to $1.05 mainly because of the export market, and when they quit purchasing on our market, the price went down.

The same thing happened this past year, when the price went to $1.21. When the foreign buyers left, the price went down.

The CHAIRMAN. I think that was true of Flue-cured also. How much tobacco do you produce?

Mr. STOKES. About 40,000 pounds.

The CHAIRMAN. How many acres?

Mr. STOKES. I would say roughly about 15.

The CHAIRMAN. Then close to almost 3,000 pounds per acre?

Mr. STOKES. Yes, sir.

The CHAIRMAN. Do you irrigate?

Mr. STOKES. Yes, sir; but I didn't last year.

The CHAIRMAN. What was your cost of production per pound?

Mr. STOKES. I would say roughly about 90 cents.

The CHAIRMAN. What was your average price received?

Mr. STOKES. Anywhere from $1.15 to $1.21.

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The CHAIRMAN. What is your best estimate as to how much the increased cost of production will be in 1975 over 1974?

Mr. STOKES. Truthfully, I am scared to say because I haven't purchased my fertilizer. I haven't been lucky like some people. We have mentioned fertilizer, but our labor cost is what is really going up. We don't have the labor available, and I am thinking our labor costs are a whole lot higher than Flue-cured labor.

The CHAIRMAN. How do you get your labor? Do you farm on shares or under wages or what?

Mr. STOKES. Farmers steal from their neighbors and we are getting more women involved in our labor.

The CHAIRMAN. The cost for that is high?

Mr. STOKES. Yes.

The CHAIRMAN. Getting labor of any kind is difficult.

Mr. STOKES. It is very difficult.

The CHAIRMAN. That is also true in Georgia.

Well, thank you very much, and we appreciate your contribution, Mr. Stokes.

The next witness, and final witness, is Mr. James Gilles, a farmer from Owensboro, Ky.

STATEMENT OF JAMES GILLES, OWENSBORO, KY.

Mr. GILLES. Mr. Chairman, I am James Gilles and am a farmer from Owensboro, Ky. I produce both Burley and Dark air-cured tobacco on my farm.

The CHAIRMAN. What is the difference between the two?

Mr. GILLES. One you smoke and the other you chew.

The CHAIRMAN. I know, I have some here.

Mr. GILLES. Well, being last on the list here for the committee to hear today, I guess I have a very short statement, and so I'll read it.

As a tobacco grower, I am convinced that the support price for both Burley and Dark tobacco must be increased for farmers to afford to continue to raise the tobacco needed by the industry.

With support prices at their present level, one large crop could drive the price of tobacco below the cost of production.

Therefore, I urge you to amend the present law in such a way that the support price for Burley tobacco will average in the neighborhood of $1.12 to $1.20 per pound for the 1975 crop. I also recommend that the Dark tobacco support price be increased in the same proportion as Burley.

The CHAIRMAN. You are certainly not a verbose man, Mr. Gilles. I compliment you for that. I have always thought you should not use two words when one will do the job.

What size allotment do you have?

Mr. GILLES. About 22 acres.

The CHAIRMAN. What is your average yield per acre? What was it last year?

Mr. GILLES. Around 2,400 pounds.

The CHAIRMAN. Do you irrigate?

Mr. GILLES. Mostly, yes; but not all.

The CHAIRMAN. What was your cost of production per acre last year, per pound last year?

Mr. GILLES. Between 85 and 90 cents.

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The CHAIRMAN. What did you receive as average price?

Mr. GILLES. Take home was about $1.14.

The CHAIRMAN. What is the average allotment on Burley in the State of Kentucky?

Mr. GILLES. In the State of Kentucky?

The CHAIRMAN. I looked at it several years ago, and it was about six-tenths of an acre.

Mr. CASSO. It is on a pound basis, sir.

Mr. GILLES. Yes; on poundage, yes.

The CHAIRMAN. Is that on both?

Mr. CASSO. On Flue-cured it is acre-poundage, but Burley is poundage.

The CHAIRMAN. What is the average poundage allotment in Kentucky. Do you have the arithmetic on that?

Mr. CASSO. No.

Mr. GILLES. I would say 800 pounds.

The CHAIRMAN. So, it is about one-third of an acre?

Mr. GILLES. That is about right.

The CHAIRMAN. Now, do most of those very small producers now leaf it, or do they still raise that one-third of an acre?

Mr. GILLES. If a farmer was raising the one-third of an acre, his family would raise it. I would say the majority are still doing it.

The CHAIRMAN. Still doing it?

Mr. GILLES. Yes, sir.

The CHAIRMAN. In Georgia there was a definite trend. We once had an allotment and we produce only Flue-cured in my State and there is a little twist tobacco produced in the mountain areas of Georgia. I think most of them raise it for their own consumption, or maybe the consumption of their friends or neighbors, but at one time the average allotment on Flue-cured in my State was something in the neighborhood of an acre, but most of them now leaf that.

They have gotten to the point where it is uneconomic to produce such a small allotment, You have no trend like that in Kentucky?

Mr. GILLES. Some, yes; but the majority still raise it.

The CHAIRMAN. Most of them are very small allotments, I guess, and they raise a combination of crops and have some corn, some cows, some chickens, some hogs, various things, and burley is just an added increment to the gross farm income; is that right?

Mr. GILLES. That would be in my area in western Kentucky; yes.

The CHAIRMAN. And your's is the hill country?

Mr. GILLES. No, sir.

The CHAIRMAN. It is flat country?

Mr. GILLES. Yes, sir, Owensboro is a very diversified area, that is where Senator Ford is from.

The CHAIRMAN. Well, thank you very much, Mr. Gilles.

I have statements of Representative Peter A. Peyser from the 23d District of New York; Fred W. Voigt, chairman of the Georgia Agricultural Commodity Commission for Tobacco; Wendell P. Butler, commissioner of agriculture, Frankfort, Ky.; Herman A. Propst, chairman, Texas Association of Cotton Producer Organizations;

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Golden R. Canady, Ohio Farm Bureau Federation, Inc., and J. Wayne Griggs, president, Tennessee Agricultural Council, which I would like placed in the record at this point.

[The statements follow:]

STATEMENT OF HON. PETER A. PEYSER, REPRESENTATIVE IN CONGRESS FROM THE 23D CONGRESSIONAL DISTRICT OF NEW YORK

Mr. Chairman and members of the Agriculture Committee, I cannot over-emphasize the importance of these hearings to review all existing agricultural programs and hopefully update and revitalize many of them.

It is particularly appropriate that these hearings are being held at a time of a world food shortage when nations are finally gaining an awareness that they must work together, for the mutual benefit of all, if we as a civilization, are to survive. No nation, rich or poor, has the right to remain "agriculturally exclusive".

Poor nations, of course, must import essential agricultural products from abroad and at the same time make an effort to develop their own land for harvesting. They must channel their manpower and technology toward advancing domestic agriculture and, through education and re-ordered priorities, curb their population growth.

The wealthy nations also have an obligation to take stock of their resources and reevaluate national goals. They must rekindle the emphasis toward agricultural growth and increased productivity which has been dormant for years. We in America should take a particularly long, hard look at the agricultural sector of our economy. How far have we come? Where are we headed? What are our obligations domestically and internationally?

We must begin by re-appraising all of our existing agricultural programs which protect and encourage the growing of non-food items and programs which restrict production through an intricate system of allotments and quotas.

With this in mind, I find it astounding that even in recent years we have continued to expand our tobacco acreage. Since 1972 the acreage utilized for tobacco production in America has increased by more than 100,000 acres; from 842,000 to 962,000 in 1974. I have been advised that in 1975, the allotment will probably exceed one million acres—enough land to produce 28,000,000 bushels of soybeans. As unreasonable as it seems to continue to utilize one million acres for tobacco production, it seems even more absurd to have a government price support program to enhance the price to producers. I have been advised that in 1975 the price support level will be increased by 12% over the 1974 support level. This, at a time when burley and flue cured tobacco are selling at record prices. By maintaining these high minimum price levels, the government is in fact encouraging the production of tobacco over food products. Why would anyone grow an acre of soybeans which yields about 28 bushels at $6.00 per bushel (market price) for a total of $148 per acre when tobacco at $1.00 per pound (market price) and 2000 pounds per acre will return about $2000 for the same one acre?

The government support level for tobacco will be 96¢ per pound for burley and 93¢ per pound for flue cured in 1975. This assures that an acre at full production will not yield less than $2000. For soybeans, however, the support level is $2.25 per bushel. This guarantees the soybean farmer a minimum of only $63 per acre should prices drop. Obviously, it is much more risky to be growing soybeans, an essential nutritional product, than to grow tobacco. Tobacco is essentially a riskless crop as a USDA study reveals that the cost of production for flue cured tobacco averages only 58¢ per pound (includes taxes, machinery, labor, fertilizer, pesticides, fuel and depreciation on equipment—does not include charge for land, management or allotments). Thus, the price support maintains almost double the cost of production, and in doing so, minimizes the risk of bad market.

While it may be true that tobacco taxes bring in revenue of almost $3 billion per year, it is similarly valid that the gasoline and automobile industries yield comparable tax revenues. Yet neither of these are supported or assisted by the Federal government. I would argue, therefore, that tobacco like other industries, should be guided toward a free market system.

I believe that tobacco, in addition to all other protected commodities, should be free of restrictions and should at least initially be placed on a target system. Thus, farmers would grow that crop which is economically advantageous in the free market system. Without high price supports, tobacco would lose its favored position and tobacco land could be converted to other food crops, thereby producing more edible food. The target price would insure those who continued to

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grow tobacco that if the price plunged, they would not lose their entire investment. The loan program could still be continued but the price would be supported at a reasonably lower level.

I feel strongly that the rice, wheat, cotton, peanut and feed grain programs should similarly be revised. Allotments and quotas must be opened up so that any farmer, anywhere in the country can grow any crop if the prevailing geographical conditions permit it. New farmers could start to grow crops which previously were closed to new growers and new land could be brought into production. The target concept would insure that if prices should plummet, farmers would be insured of recouping some of the cost they have incurred and would thus be able to continue planting.

I believe that the time has come to set the stage for full agricultural production. We must make haste to encourage the production of food crops and I feel that if restrictions are lifted and supports lowered for all crops, the production of food crops will increase. We must work together for our common good. The farmer and the consumer should not be on opposite sides in this struggle to survive. With increased production within the framework of the target system all segments of society will benefit and in fact the world food situation will simultaneously improve.

STATEMENT OF FRED W. VOIGT, CHAIRMAN, GEORGIA AGRICULTURAL COMMODITY COMMISSION FOR TOBACCO, TIFTON, GA.

My name is Fred W. Voigt, chairman of the Georgia Agricultural Commodity Commission for Tobacco and a tobacco grower of fifty-five consecutive crops.

I am grateful for the privilege of testifying before you on behalf of nearly twenty-five thousand Georgia tobacco farmers.

We have seen many changes since tobacco was first produced in Georgia. During the early 1920s and 1930s we saw market prices fluctuate up and down to the lowest levels in our history of tobacco growing. While the major manufacturing industries of our country were enjoying the benefits of high protective tariffs after World War I the farmers of America were at the mercy of the tobacco buying companies.

It was during the beginning of the Franklin Delano Roosevelt administration that the marketing problems of flue cured tobacco growers really becamc acute. A survey and study was initiated out of which came the 1933 Agricultural Adjustment Act. This farm law was vigorously opposed by the buying companies and other interests and after a long court fight was ruled unconstitutional by the United States Supreme Court.

After this ruling tobacco farmers again found themselves in almost bankrupt circumstances due to ever worsening conditions at the market place. In 1938, the Agricultural Adjustment Act was properly amended and became an effective farm program, but many changes in the Act were still needed. For this reason numerous amendments were added from year to year to improve the operation of the Act and to change the terminology that might be challenged by the courts.

Today we have the finest and most efficient tobacco farm program ever. It is also the least expensive of all our commodity programs to our taxpayers. With our present program we have yearly checks and balances that allow us to adjust our tobacco production at the place of origin so that we can keep supplies in reasonable balance with domestic and foreign consumption.

A formula, based on production costs is used to arrive at support prices for tobacco. Support prices offer a flooring at a level sufficient to assure flue cured tobacco growers a high degree of stability in prices at the market place. This we tobacco growers never had until the present program was developed to the efficient operation of today.

Tobacco quotas with support prices have always been considered the finest collateral for cash loans and supplies for crop production. We need no changes in our present tobacco program. The law allows automatic yearly increases in support prices based on changes in production costs. Support prices in 1974 were ample. We believe support prices in 1975 will be ample and serve the purpose for which they were intended, therefore, we urge that no changes be made in the present support price formula. We are already faced with tremendous foreign price competition as well as unfair import duties and taxes on American tobacco, especially in the European Economic Community and their associate countries. Any upward revision of our present support price formula would work an extreme hardship upon the exporting segment of our tobacco industry, and we must export at least half of our tobacco production. It is our firm conviction that as long as

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market prices find a reasonable level above support prices we should allow supply and demand to rule.

I thank you gentlemen for allowing me to present what I truly believe is the feeling of Georgia tobacco growers regarding our present tobacco farm program.

STATEMENT OF WENDELL P. BUTLER, COMMISSIONER OF AGRICULTURE, KENTUCKY DEPARTMENT OF AGRICULTURE, FRANKFORT, KY.

Mr. Chairman and members of the committee, I am Wendell P. Butler of Frankfort, Kentucky. I am Commissioner of Agriculture for the Commonwealth of Kentucky. As Commissioner, I recognize the serious problems facing the Burley Tobacco Industry.

Of all the problems, I believe the most pressing one has to do with production; that is, the problem of getting farmers to produce their quotas. Burley tobacco growers are reluctant to produce at a loss. A shortage of labor has further aggravated this situation. The depletion of loan stocks has added to the urgency of producing an adequate crop.

The Burley tobacco grower has been caught in the cost-price squeeze situation. The costs of production, maintenance, and operation have sky-rocketed while Burley producer's net farm income has gone down. Since the farmer is unable to pass this increased cost on to the purchaser of his product, inflation hits the farmer harder than any other segment of the economy.

The year of 1975 will be a crucial one for the Burley industry. If the Burley Belt fails to produce a large crop, manufacturers could be forced to go to substitutes or a foreign source for Burley tobacco. Exports might also be hampered. It this happens, the Burley industry in the states may never fully recover. The implications for our Nation are far-reaching.

As I see the Burley picture, the present formula for determining price support for Burley is outmoded and antiquated. The only thing that will encourage Burley production this year is an adequate price support which will give the Burley producer some assurance that he will at least operate on a break-even or a little profit basis. In light of this, I recommend a price support for Burley tobacco based on 75% of parity. Since Burley tobacco this past marketing season averaged approximately $1.14 per pound, I see no reason how a price support of $1.15–$1.17 a pound for 1975 could be considered out-of-line.

STATEMENT OF HERMAN A. PROPST, CHAIRMAN, TEXAS ASSOCIATION OF COTTON PRODUCER ORGANIZATIONS, ANSON, TEX.

My name is Herman A. Propst. I am a cotton farmer from Anson, Texas. I serve as Chairman of the Texas Association of Cotton Producer Organizations and appear before you on behalf of that organization.

TACPO is a Federation of cotton producer associations in Texas working to serve the common interest of our separate memberships. Members include Blackland Cotton and Grain Producers, Rolling Plains Cotton Growers, Inc., Plains Cotton Growers, Inc., South Texas Cotton and Grain Association, Inc., Trans-Pecos Cotton Association, El Paso Valley Cotton Association and The Cotton and Grain Producers of the Lower Rio Grande Valley. Our membership includes the majority of cotton producers in all the major cotton producing regions in the State. A member association, Plains Cotton Growers, Inc., presents its separate statement here today and I strongly commend to you the testimony by the Executive Vice President, Donald Johnson.

Most of our members are supporters of the National Cotton Council and take active part in the Producer Steering Committee of that organization. We also recommend the testimony of Mr. Denton, NCC President, and that presented by C. Hoke Leggett, Chairman of the Producer Steering Committee. Most of our recommendations very closely parallel those of the three organizations mentioned.

Most Texas farmers, I believe, were reasonably well satisfied with the Food and Agriculture Act of 1973. At that time, the average cost of producing a pound of cotton in the U.S. was about 32½ cents. The bill called for a 38 cent target, a loan to be based on 90 percent of the 3-year average world price and an escalator clause to go into effect in 1976. Too, we expected to market cotton at a price well above 38 cents and, of course, could not foresee the tremendous increases in costs

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of production or the world-wide economic recession which has driven prices down to the present disastrous levels.

Mr. Chairman, price support provisions of the 1973 Act are now obsolete. A target price of 38 cents, when farmers are faced with production costs above 50 cents per pound, renders the payment provisions of the law worthless. If the vast majority of the cotton producers of this country are to stay in business, we must have a higher loan level and we must have a higher target price.

At the very least, increases in the index of prices paid by farmers for production items during the calendar year 1974 should be included in target price calculations for 1975. The "escalator clause" should be activated now instead of in 1976.

We believe the CCC cotton loan level is too low, the term of the loan is too short and interest on those loans is currently too high.

We believe the loan level and the target price should not be set too far apart, not only to reduce exposure of the Federal Treasury to prospects of huge subsidy payments, but also to minimize inequities between our large and small growers, caused by the present $20,000.00 limitation on payments. We suggest the loan level should not be lower than 90 percent of the target price which this committee, in its judgment, will finally recommend.

We recommend that producers having cotton under CCC loan should be given the option to extend those loans for an additional 18 months beyond the present statutory 10 month loan period.

We recommend that CCC be prohibited by law fro ı setting interest rates in excess of 6 percent per annum on commodity loans.

We strongly urge that the Secretary of Agriculture be required to announce as final the loan level by November 1 of the year preceding the crop year.

We recommend that CCC-owned stocks not be sold in competition with the producer-owned cotton, and to secure that protection, that the CCC resale price be set at a minimum of 130 percent of the current loan price plus the carrying charges.

Our producers are adamantly opposed, Mr. Chairman, to any legislation which would deny us free access to world markets. This industry cannot survive export controls.

We hope this Congress can develop legislation under which farmers, buyers and exporters of our products can be insured or protected against default by parties to crop or sales contracts. Senator Bellmon offered such a bill last year which we supported and we hope this Committee will see fit to move on it again.

We recommend that new legislation recognize that payments to producers under the disaster provisions of the 1973 Act should not be subjected to payment limitations. Disaster payments under the Act have been denied or greatly reduced in many cases this past year by USDA regulations seemingly designed to minimize payments to the extent legally possible. We recommend that this portion of the law be revised to clearly and concisely require the intent of Congress be carried out in future years.

And, finally, Mr. Chairman, we hope this Committee will recognize that research and promotion funds for cotton are essential to lowering production costs and maintaining the market for cotton, and that you will support the efforts to see that those programs re fully funded as provided by law.

I appreciate this opportunity to present our recommendations. Thank you.

STATEMENT OF GOLDEN R. CANADAY, CHAIRMAN, OHIO FARM BUREAU TOBACCO ADVISORY COMMITTEE, COLUMBUS, OHIO

I am writing you relative to the Burley tobacco price support for 1975. My name is Golden R. Canaday, Chairman, Ohio's Farm Bureau Tobacco Advisory Committee and I represent Ohio's 61,631 farm families in legislation relative to tobacco. Included in this group are found the majority of Ohio's Burley producers which elect representatives to serve on the Advisory Committee, this group meets from time to time and formulate the policy for Burley tobacco in Ohio. In our recent meeting we discussed the burley support for 1975 and concluded that it was not sufficient to cover costs of production and leave a fair profit for production.

In a meeting in Maysville, Ky. held on January 18 the growers from Eastern Ky. and Southern Ohio made it known to USDA officials, and Congressman Carl Perkins that an increase in support price was needed to cover the costs of inputs for the 1975 crop. The consensus of opinion in this group of about five hundred growers was that no less than 75% of parity or approximately a support

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of $1.17 cents pe pound would cover costs of production and a fair incentive to produce the crop the industry needs.

So in view of facts presented, Senator I would urge you to do all you can in support of Congressman Perkins' Bill which I understand is being presented, or an amended bill which would achieve the same results for the burley grower.

Thanking you very much.

STATEMENT OF J. WAYNE GRIGGS, PRESIDENT, TENNESSEE AGRICULTURAL COUNCIL, HUMBOLDT, TENN.

In reply to your letter requesting comments and suggestions on proposed legislation covering cotton, wheat, and feed grains, I appreciate the opportunity to present, on behalf of the Tennessee Agricultural Council, the following recommendations on cotton legislation.

We specifically recommend:

1. A CCC loan level that is related to the cost of production, but not so high as to stimulate production for the loan itself. We therefore recommend that this level be set at 90% of current production costs as determined by the final cost of production for the preceding crop year.
2. The CCC regulations be revised to extend the loan for cotton for 18 months beyond the present statutory minimum loan period.
3. Establish CCC interest rates which are not higher than CCC interest rates prevailing in January 1974 of 5½ percent.
4. A target price for cotton that reflects inflation and the sharp increases in production costs with escalator provisions that include increases in costs incurred in 1974.
5. Changes in the Farmers Home Administration disaster assistance programs to make these programs more responsive to the needs of farmers who suffer crop disasters. (Senate Bill 555)

Since cotton is of great economic importance to our State and, indeed, our Country we again reiterate our appreciation for the opportunity to present our views to you.

The CHAIRMAN. The committee will now stand in recess until 9:45 tomorrow morning.

[Whereupon, at 5 p.m., the committee recessed, to reconvene at 9:45 a.m., Tuesday, February 18, 1975.]

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

TUESDAY FEBRUARY 18, 1975

U.S. Senate,
Committee on Agriculture and Forestry,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 234, Russell Senate Office Building, Hon. Herman E. Talmadge (chairman) presiding.

Present: Senators Talmadge, Humphrey, Huddleston, Clark, Leahy, Dole, and Young.

STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM THE STATE OF GEORGIA—Resumed

The Chairman. The committee will be in order.

I have a brief statement I would like to read at this time.

America's most valuable resource is food. No commodity is so basic to mankind as food and the resources with which to produce it. And no other nation enjoys the abundant agricultural inputs, advanced technology and favorable farmland which make our farmers the most productive in the world.

The implication of America's predominant role in world food production should be clear. The health and viability of the American agricultural system is crucial to the adequate and stable food supplies to consumers around the world.

Particularly significant is the growing dependence of the developing countries on the major food producing nations. Presently, the United States and Canada provide almost half of the grain import requirements of these countries. And present expectations are that the developing countries may face combined food grain deficits of 85 to 100 million metric tons by 1985.

While I believe the United States will continue to share what we can, it is clearly beyond our capacity to meet food deficits of this scale. It is time we sit down and decide just what we can and cannot realistically afford.

We must keep in mind that we cannot export or give away what we do not have.

I think that it is essential, then, that our current review of U.S. farm policy include the role of Public Law 480, in terms of world food needs and our own resources.

We have not conducted an extensive review of Public Law 480 since 1965. In view of the importance of this program to American farmers and to consumers in the developing world, we must continue to review and strengthen it.

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America is the most altruistic nation in the world, particularly when it comes to food assistance. We have provided over $25 billion in donations and concessional sales since the beginning of Public Law 480 in 1954. Over the past 20 years we have shipped about 150 million tons of grain to needy nations. Since 1954, Public Law 480 counterpart funds have provided 1,600 research grants in 32 countries. And in the 20 years, $11 billion has been generated by the food-for-peace program for developmental use by foreign countries.

Public Law 480 is a proven program, but no program, however successful, should be closed to innovation or strengthening. I am convinced that there is room for imagination and foresight as we begin to shape our food assistance policies to fit the needs of the coming decade.

We must reshape our food assistance programs to reduce waste and inefficiency.

We must strengthen the self-help provisions of our food assistance programs to insure that our resources are being used as effectively and efficiently as possible to help these nations help themselves.

Finally, we must insist that other nations with the resources to help, particularly the oil exporting countries, shoulder a more equitable share of the burden for food aid and the financing of food aid, and for assisting in the development of agricultural production.

The solution to the world food problem, I am convinced, lies in more effective application of those resources already available, and in the continued strength of the American farm system.

Our task is to determine how these resources can be more effectively utilized.

I know Senator Humphrey has a statement. Do you have one, Senator Dole?

Senator DOLE. I will wait.

Senator HUMPHREY. I will abbreviate my statement and ask unanimous consent from the committee that the text of the statement and the table be printed in total.

The CHAIRMAN. Without objection.

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA—Resumed

Senator HUMPHREY. First of all, I would like to thank you for calling this hearing on the matter of Public Law 480. My colleagues will remember that we passed a resolution here in the Senate last December to amend Public Law 480 to give it more flexibility. Unfortunately, the House of Representatives did not have the time to consider this resolution.

I believe, Senator Dole, you may recall that you were one of the initiators of this concept of including in Public Law 480 the use of our food supplies wherever possible for broader objectives than just the disposal of surpluses.

I believe that we should take that up again and in due time we will present it here as a part of our overall agriculture legislation and it is my intention to offer it for that purpose today.

We are today looking at the food for peace program and considering its future direction.

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As the Chairman has indicated, this program has provided over $25 billion in food aid throughout the world. It is my judgment that this has been one of the finest programs this country has had. It has not only saved thousands—in fact, millions—of lives, but it has also provided a tremendous resource for economic development. The aid has not been used merely to feed starving, hungry people. It has also been used for economic development in many countries of the world.

For example, I recall visiting Tunisia, where food aid was used to pay wages to workers who were doing vital work in the development of the agricultural economy of Tunisia. I recall, Mr. Chairman, when I was Vice President visiting Indonesia and in that program the food aid did more good for the United States in terms of its foreign policy and its objectives than any one program we have had. They were using food—in that instance cornmeal—to pay the wages of workers who were cleaning up and remodeling the irrigation system in Indonesia. We have been able, in such cases, to take wheat and corn and dairy products and cotton and tobacco and other products of our farms and literally to convert them into roads, schools, hospitals, irrigation systems, and economic development.

At the same time, we have come to the rescue of suffering humanity time after time. I, for one, am proud of this as a matter of our national history and of our record as a nation. Our food aid programs, however, today are at a critical point. It was easy to be generous in the past when there was food abundance and low prices. One of the key issues today is how generous can we be and will we be in the face of scarcity. How much aid can we give countries in need and how much can we use for economic purposes?

It is clear to me that where this administration has placed its priorities in our food aid program in the past year has been weighted heavily toward Southeast Asia and other political security claims. And that is exactly why in the foreign assistance bill this past year we decided that 70 percent of the food aid should go to the most seriously affected countries and only 30 percent of the total should go for what we call political purposes.

Now that may have been too strict a measure and therefore I think it is subject to very careful consideration again. It will be reviewed over in the Foreign Relations Committee. I happen to be chairman of the subcommittee which will do that. But I would suggest we ought to review it at the time the authorization for Public Law 480 is considered.

We need to develop a clear understanding of what our priorities should be with regard to our food aid program, and I suggest that the humanitarian food considerations, particularly in this period of scarcity, should be given first claim on our resources.

While it is unfortunate that we have only one day now to examine food aid in the world, it is entirely appropriate that we examine this within the total agricultural spectrum. And I understand, Mr. Chairman, that it is agreeable with you that we follow up on the subcommittee level on the basis of this hearing later on.

The CHAIRMAN. Surely.

Senator HUMPHREY. It is clear to me that we need to relate a whole series of pieces in order to form a national food and agricultural policy. Our food aid must be set within the context of a sensible

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national food policy. We must assure our farmers a reasonable return, for example, if weather is good and we have bumper crops.

As of yet, we have not designed a program for strategic reserves in this country, nor have we even come to grips at the international level with what an international reserve ought to be like.

From the experience of our beef, dairy, poultry, and hog producers of the last 2 years, it should be evident that increased stability of prices and supplies would be beneficial to everyone. And now our grain producers are beginning to understand the folly of roller coaster prices, and I am hoping that this hearing, with its expert witnesses, will also focus on ways of improving the food aid program.

Can we draw any conclusions of the benefits derived from title II as opposed to title I? Title II is that part of Public Law 480 where our charitable organizations do the work, and I do want to emphasis that this is an important part of our food aid program. The great church and voluntary organizations of this country which have used the food supplies under title II have done an immense job for America.

I am concerned over the rate of shipment of food under the recently announced $1.6 billion level for food this year. This level will provide about 5.5 million tons of food aid, but there is serious question as to whether this quantity can be shipped during the balance of the fiscal year.

I recall that the administration refused to raise the food aid level from 3.3 million to 4.3 million tons at the World Food Conference on the grounds that this would have been inflationary. Now, the administration has belatedly announced a 5.5. million-ton-food aid level, but it will be difficult to ship this volume.

And since Mr. Enders and others are here, let me say what I am most concerned about is whether or not this level was put at this figure so that they can have priority shipments of food aid to certain countries, such as Cambodia, Vietnam, Korea, Chile and others which are not among the most seriously affected.

And I will want a complete report as one member of this committee of just what the shipping schedule is because the $1.6 billion figure means little or nothing unless it can be shipped. It has to leave port in the United States by June 30 or the $1.6 billion is a meaningless figure.

We will be looking carefully to determine how the shipping targets are met. I can assure the administration that I, for one, will be most unhappy if the most needy countries are neglected while food aid shipments for political purposes are made on schedule.

I am appending several tables to provide additional information on our food aid program and the world hunger situation. Let me say that I do appreciate the fact that the President set the target at $1.6 billion, which includes shipping costs. It is about $1.47 billion for genuine food aid under titles I and II and some other commodities.

But again, the question is: Who is getting it? How much is getting to the most seriously affected countries? Can this food aid leave our ports before June 30, and can it be delivered and properly distributed? And I want to say again that what we should look at ultimately is its distribution once it arrives at the port of entry. Is there the distribution system for this food aid to be used?

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And finally, Mr. Chairman, under my role as chairman of the new Subcommittee on Oversight in Foreign Aid—and believe me, we are going to have oversight—we are going to find out whether this food aid is being used as it ought to be used or whether there is something going on after it gets to a country, which means that much of our purpose has been aborted or erased. We will do that as a part of the general cooperation on the two committees of agriculture and foreign relations.

Thank you.

[The prepared statement of Senator Humphrey follows:]

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

We are today looking at the Food for Peace program and considering its future direction.

Begun largely as a vehicle for the disposal of surplus commodities and market development, the program has provided over $25 billion in food aid throughout the world.

This assistance has helped fight disasters and famine. Clearly, it has helped develop markets for our agricultural commodities.

There has been a great deal of controversy over this program in recent years as the world food needs have grown and availabilities declined.

We will need to look toward ways of utilizing our food aid to encourage expanded food development. While there was some debate at the World Food Conference over food aid, there was little question over the need to expand agricultural production.

Therefore, our food aid programs are today at a critical point. It was easy to be generous in the past when there was a food abundance and at low prices.

One of the key issues today is how generous will we be in the face of scarcity? What priority will we give to aid the countries most seriously in need?

It is clear to me where this Administration has placed its priorities in terms of our food aid. The programming has been heavily weighted toward Southeast Asia and other political-security claims.

I would hardly deny that food can be a useful diplomatic tool. And I hope that where it is so utilized it is not abused. Providing food aid as a way of advancing the cause of peace is not, in my book, the same as helping to maintain a tottering military regime.

We need to develop a clear understanding of what our priorities should be with regard to our food aid program. And I suggest that the humanitarian food considerations should be given first claim on our resources.

It is evident that the effort which some of us have made to awaken the heart and the conscience of the Administration has finally brought an increase in the food aid program.

Unfortunately, some of our friends in the media do not seem to realize how difficult it is to change our food aid policies. And it does not just happen because of good intentions.

Beginning well before the World Food Conference, a variety of devices were utilized to highlight the world food problem and the need for an intelligent and coordinated response on the part of the donors.

I must take my hat off, as I have before, to the non-governmental organizations and Mr. Herbert Waters, who was a major driving force in bringing this issue to the attention of the American people.

For many of these people, it was their first taste of action in the political arena. And, for many, the results of the struggle were not entirely satisfying.

But out of this struggle, a new concern has been forged. This effort will need to be continued and sustained.

While it is unfortunate that we have only one day to examine the food aid and world food area, it is entirely appropriate that we examine this area within the total agricultural spectrum.

It is clear to me that we need to relate a whole series of pieces in order to form a national food and agricultural policy. Our food aid must be set within the context of a sensible national policy.

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Too often, unfortunately, our discussions have focused on questions such as target and loan prices, a food reserve, export controls or food aid.

These issues are related to one another, and our consumers and farmers need to understand what are the national objectives.

Our farmers need a sound agricultural program to keep them in business, and our consumers want plentiful supplies of food at reasonable prices.

Many of our farmers are being driven from business today because of boom and bust farm prices. In place of this unrealistic doctrine, the government should share in the risks when calling on farmers to go all out to increase production.

We must assure our farmers a reasonable return if the weather is good and we have bumper crops.

Our government has not yet had the courage to face up to the need for a food reserve. This mechanism can very usefully buy surplus production in order to stabilize prices for our farmers and assure adequate supplies for consumers.

A reserve also will enable us to meet our commercial contract obligations as well as international food aid needs.

Our government has been meeting with other countries over setting up an international food reserve. It seems strange that we can talk about an international reserve without facing the same issue for our own country.

We should be prepared to look at the issue of stable world food prices and their relationship to an international reserve. On the domestic level, we hear a great deal of misleading talk about how reserves and greater market stability are undesirable.

From the experience of our beef, dairy, poultry and hog producers of the last two years, it should be evident that increased stability of prices and supplies would be beneficial to everyone. And now our grain producers are beginning to understand the folly of roller coaster prices.

I am hoping that this hearing, with its expert witnesses, also will focus on the ways of improving the food aid program. Can we draw any conclusions on the benefits derived from title II as opposed to title I?

I am concerned over the rate of shipment of food under the recently announced $1.6 billion level for this year. This level will provide around 5.5 million tons of food, but there is serious question as to whether this quantity can be shipped during the balance of the fiscal year.

I recall that the Administration refused to raise the food aid level from 3.3 million tons to 4.3 million tons at the World Food Conference on the grounds that this would have been inflationary. Now the Administration has belatedly announced a 5.5 million ton food aid level, but it will be difficult to ship this volume.

We will be looking very carefully to determine how these shipping targets are met. I can assure the Administration that we will be most unhappy if the most needy countries are neglected while food aid shipments for political purposes are made on schedule.

I am appending several tables to provide additional information on our food aid program and the world hunger situation.

TABLE A.—PUBLIC LAW 480 COMMODITY SHIPMENTS[1] AND FREIGHT

[Dollar amounts in millions]

	Fiscal year—					
	1970 actual	1971 actual	1972 actual	1973 actual	1974 preliminary	1975 proposed
Title I	$906	$869	$789	$769	$797	$1,125
Commmodities[2]	833	817	716	706	747	1,075
Freight	73	52	73	63	50	50
Title II	353	393	522	394	370	475
Commotities[3]	266	302	404	290	282	395
Freight	87	91	118	104	88	80
Total	1,259	1,262	1,311	1,163	1,167	1,600
Volume (million metric tons)			9.3	7.5	3.3	5.45

[1] At CCC cost.
[2] Gross cost (including initial payments).
[3] Excludes purchase of foreign currencies for use in self-help activities (sec. 204).

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Table B: Public Law 480—Allocation for fiscal year 1975

	Millions
Title I:	
A. Most severely affected nations (MSA)	$655
B. Other countries (30 percent of A & B)	280
C. Nonfood commodities (all to non-MSA's)	84
Subtotal	364
D. Carryin	56
Total, title I	1,075
Title II	[1] 396
Total, public law 480 (commodities only)	1,471

[1] Includes $42,500,000 contingency rice reserve for South Vietnam.

TABLE C.—UNCOVERED FOOD REQUIREMENTS OF "MOST SEVERELY AFFECTED" COUNTRIES, 1974-75 MARKETING YEAR, AS OF JAN. 24, 1975

[Thousands of metric tons]

	Total import requirement	Covered by commercial purchase	Covered by food aid	Total deficit covered	Uncovered deficit	Cost of uncovered (millions of dollars)
India	8,500	5,789	938	6,727	1,773	404
Bangladesh	2,500	808	904	1,712	788	227
Pakistan	1,550	1,087	222	1,309	241	52
Sri Lanka	1,365	713	135	848	517	153
Total MSA	17,048	9,073	3,140	12,214	4,835	1,234

The CHAIRMAN. Senator Dole.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS—Resumed

Senator DOLE. I share the views expressed by both the Senator from Georgia and the Senator from Minnesota, both of whom were here and played a role in the early days of the food for peace program.

It is important that we understand the great objectives of Public Law 480 set forth in the preamble of the Act, and I think that I might, since it is only about a 30-second paragraph, just read it as we start these hearings:

> The Congress hereby declares it to be the policy of the United States to expand international trade, to develop and expand markets for the United States agricultural commodities, to use the abundant agricultural productivity of the United States to combat hunger and malnutrition, and to encourage economic development in developing countries with particular emphasis on assistance to those countries determined to improve their own agricultural production and to promote in other ways the foreign policy of the United States.

By and large, that has been the purpose of the program and the results of the program. It has more or less fit the preamble. I also am concerned with oversight and I am pleased to hear Senator Humphrey indicate that there will be some strong oversight hearings. The American taxpayers is entitled to know where his tax money goes, not just in foreign aid but also in food for peace.

I want to make a part of the record the news release from the USDA concerning the increase in the current fiscal year. I think it is a step forward.

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[The information referred to follows:]

[From the News, U.S. Department of Agriculture]

PUBLIC LAW 480 BUDGETED AT $1.6 BILLION IN CURRENT FISCAL YEAR

WASHINGTON, February 3.—Secretary of Agriculture Earl L. Butz said today that the increase in the new fiscal year 1975 budget for food aid "confirm once again that the U.S. intends to share fully in supplying needy nations with food—even during a period of decreased supplies in the United States."

"The new budget level for P.L. 480 is more than $600 million above earlier levels and is a similar amount above the actual expenditures last fiscal year," the Secretary said. "The increase in budget will bring projected shipments in the current year at least 2 million tons above last year's program.

"The new budget increase reflects our continuing reassessment of world supplies and the needs of deficit nations. There has been some easing of wheat supplies, and we should be able to take care of the additional P.L. 480 programming without threat to domestic food supplies or interfering with normal marketing."

The increase in P.L. 480 programs to $1.6 billion (including ocean transportation) in the current fiscal year compares with $963 million spent last year. The volume of P.L. 480 food shipments in the current fiscal year is expected to reach more than 5.5 million metric tons, compared with 3.3 million tons in fiscal 1974.

Senator DOLE. One reason, perhaps, that they have been able to increase food aid is that there is the easing of the shortage of supplies insofar as wheat and other major commodities are concerned. So that, in part, explains why it may come somewhat late, why it may not have come at the Food Conference in Rome.

But it is my hope, as it is the hope of Senator Humphrey, that this increase can be accomplished prior to the end of this fiscal year, June 30, and that it can be on its way, if not totally distributed, at that time.

Now, Mr. Chairman, I have some other comments and would make them a part of the record at this point.

The CHAIRMAN. Without objection, they will be inserted in full in the record.

[The prepared statement of Senator Dole follows:

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS

Mr. Chairman, we are now in our 21st year since that historic day, July 10 1954, that the great leader—the 34th President of the United States—Dwight D Eisenhower signed the Agricultural Trade and Development Act—known all over the world as P.L. 480. In terms of lives saved and improved, this was and is the most constructive letter-number combination in all history. It should be memorialized, and those who were so effective in bringing into being this bipartisan legislative giant should take great pride in their accomplishments.

THE WORK OF MANY

As I look around the Committee room, I see some great supporters and sponsors of this legislation—and one former Food for Peace administrator. There are many unsung heroes in this continuing struggle, such as the bureaucrats who helped draft this proposal and who, with care and a strong humanitarian sense, have been administering it. There are the dedicated men and women of the great voluntary agencies for overseas relief and rehabilitation, such as CARE, the Protestant Church World Service and Lutheran World Relief, Catholic Relief Service and its Charitas counterparts, the American Jewish Joint Distribution Committee, and a number of similar privately supported humanitarian organizations helping to carry out the U.S. Government's Food for Peace progam.

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DECLARATION OF POLICIES

In the over twenty years since the Public Law 480 program was devised out of the hearts and minds of brilliant men, I have watched it with keen interest and with growing awareness of what it has accomplished, and what tasks lie before us.

It is important that all of us understand the great objectives of Public Law 480, as set forth in the preamble of the Act. It follows:

"The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States."

EXPANDING EXPORTS

One objective of Public Law 480 is the development and expansion of export markets for U.S. agricultural products. As we look back at the export figures since the inception of this program to the present, one would have to conclude that there has been no period in American history in which we have done as well in our agricultural exports. In the 1974 fiscal year, agricultural exports amounted to $21.3 billion. Of this, dollar sales set a new record of $20.3 billion, In the 1975 fiscal year, exports are projected at a new record of $22 billion.

One of the objectives of Public Law 480 has to do with encouraging economic development. Is the program mainly a crutch for the less-developed countries—or is it providing strength to help them stand on their own feet? This is a critically important question.

A good test of economic development is a country's improving ability to buy the things it wants in the commercial marketplace. Already a number of countries that once received food aid have become important commercial customers. The classic examples are, of course, Japan, Italy, and Spain. Under Public Law 480 and earlier aid programs, they received considerable assistance. Today they are among our best cash customers.

These countries, at a critical time in their economic developments, were aided by Public Law 480. They were ready to carry out their own self-help programs, but they needed some help in getting started. Once started, they have moved forward of their own momentum.

BENEFITS ABOUND

Other countries can be cited that are dramatic in their transition from aid to trade; they started with less and have had further to go.

The benefits of exports are shared by non-farm people. Hundreds of thousands of workers and businessmen across the country owe part or all of their incomes to the activities created by agricultural exporting—handling, transporting, warehousing, processing, packaging, freight forwarding, insuring, financing, and regulated activities. Exporting has, in itself, become a vast industry.

BALANCE-OF-PAYMENTS IMPACT

Another benefit to the United States of expanded foreign markets for our farm products is a better balance of payments.

It is not generally known—but it is a fact of which we should be very proud—that American agriculture, through its export earnings, is today doing more than any other segment of the Nation to hold back the critical outflow of dollars.

There is a growing indication of the program's substantial contribution to the development of commercial markets for our farm products. These commercial exports constitute Food for Peace at its best—mutually beneficial, multilateral trade using the efficiency of commercial trade channels. The soundest and the simplest way to maintain our balance of payments would be to utilize to the maximum the productive efficiency of our farmers by finding ways to increase our agricultural exports even more.

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IMPORTANT ELEMENT OF FOREIGN POLICY

The Food for Peace program is far more than just a farm program. It is truly a national program, to support national foreign policy objectives. It reflects the fact that we have wed our world leadership responsibilities with our breakthrough in agricultural technology.

Food and fiber from American farms have saved the lives of millions of people.

There are millions of boys and girls today, throughout the world, who regularly receive school lunches through this program.

KEY TO WORLD DEVELOPMENT

It makes sense for the United States and other exporting countries to share abundance—God-given abundance—with millions who lack that abundance. In our foreign aid programs, we recognize more and more that a key factor in economic development will be the future ability of people to feed themselves—the ability to really close the world's food gap. Thus we seek not only to share our abundance of production with developing nations, but also our abundance of know-how and technology.

INTERDEPENDENCE OF NATIONS

These are the lessons of today. That all of us in this Nation, and in this world, are interdependent—that none of us is isolated from his neighbor.

It is not easy to measure the accomplishments of a program with such multiple objectives as U.S. food aid.

PROGRAM SAVES LIVES

Malnutrition takes its worst toll in the first five years of human growth, blunting the physical development of pre-school children, and very often retarding their mental growth as well. In countries where food shortages are both chronic and widespread, this irreversible process affects up to fifty percent of the infant population.

Millions of youngsters in many lands are alive today as a result of American compassion and American know-how—and as a result of a unique partnership between the public and private sectors of this country.

FLEXIBILITY AND PROTECTION

U.S. commodities have played a major role in maintaining the precarious balance between world food production and world food consumption for a number of years. The current Act no longer limits food aid to surplus commodities, but encompasses commodities determined to be available by the Secretary of Agriculture.

However, it should be noted that section 401 of the Act provides the following:

"No commodity shall be available for disposition under this Act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity."

We should not overlook the need to be reliable suppliers to dollar customers—nor should we repeat the soybean mistake with export controls.

We should not change the priorities set up in section 401. We must not sacrifice the producers on the guillotine of export controls in order to move commodities under P.L. 480. Our national interest in commercial exports and the need to shore up an already weakened dollar must be paramount. Rather, we should produce enough to meet the needs of our domestic consumers, dollar exports, an adequate carryover, and our share of food aid. We must not make it easier to impose export controls. The farmer is already suffering from the current system of export monitoring.

CALL TO OTHER NATIONS

There should be an international call upon other highly developed countries to contribute their share to the solution of the world food deficit. The threats which accompany hunger and starvation are so great and the issues so complicated that the experience, ideas, skills, and resources of as many countries as possible must be brought to bear upon the problem. The world community should

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support the expansion of international food and agricultural assistance programs, including the United Nations world food program.

The world community should call upon those countries with oil rich billions to set aside at least a modicum of these riches to implement an oil dollar for food program. This would be a practical recognition that the net effect of their pricing formulae has been to reduce food production, especially in developing countries. This would be a great act of mercy worthy of responsible men.

Some developing countries are dependent upon concessional sales and international contributions of food, especially from the United States and other surplus producing areas of the world, to alleviate their food deficits. These food programs form the cornerstone, the foundation, of numerous health, social, and economic programs directed at upgrading the self-sufficiency and productivity of these countries. These programs are having a great impact. These programs and the institutions involved in them cannot be permitted to falter or surely these nations will backslide into mass hunger and social disintegration. Food supply shipments between the surplus producing and deficit areas of the world must be kept viable. It is in the national interests of the developed countries to do so. It is in the interest of humanity to do so, and it is in the interest of world stability to do so. Our real test as a nation comes at a time when our sharing is not the easy one of relieving us of a surplus. This Nation and the world have benefited from our beneficence. Other developed nations should be urged to do more or to share in the cost.

MILESTONE OF MAN'S CONCERN

As we look back on two decades of effort, the accomplishments are remarkable by any test. Historians of future generations may well look back on this expression of America's compassion as a milestone in man's concern for his fellow man.

Let us, then, who share in the miracle of American agriculture, continue to work for a future in which our energies and our productivity will be devoted to making life happier, freer, and more abundant for the whole family of man.

The Nation's founders insisted on "a decent respect to the opinions of mankind". This Food for Peace program is a continuing major action on our part to uplift the hearts and minds of men.

FAMINE PREVENTION AND FARMER-TO-FARMER

Today we shall hear from Congressman Paul Findley (R-Ill.), who will outline the provisions of his famine prevention bill, H.R. 2436. This legislation gets at the problem of self-help for the needy nations, and I am confident we shall support this approach in the Senate.

In twenty years the U.S. spent only $42 million in helping six land grant colleges build nine similar land-grant type institutions in India.

I have had many ocassions to visit with the faculty and staff of Kansas State University which worked on this project in India and know the benefits of the program. Authorization of up to $150 million annually is a reasonable approach and will allow sufficient expansion as implementation of the provisions of the act progresses.

The objective of this program is not to impose the use of our farm implements in these primitive societies, but to train their personnel in agricultural techniques that their farmers can use with their present tools. The object is to share and communicate information to the farmers that will help them grow more and better crops. It will install a worldwide extension service operated by the people of these developing nations. What better way is there to boost self-help agriculture?

I had circulated a letter to my colleagues in the Senate asking their support for this legislation, however, another member has already introduced the legislation (S. 658). My version, however, will strongly urge or mandate funding of the farmer-to-farmer program under section 406(i) of the act to work in conjunction with the land-grant type institutions this legislation would create.

I am convinced that in addition to the basic education that would be provided under Mr. Findley's bill, a further continuing education, if you will, through direct farmer-to-farmer training on the farm in the less developed nations would enhance the delivery of the training and education provided in this legislation.

Senator HUMPHREY. Will the Senator yield at this point?

Senator DOLE. Yes.

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Senator HUMPHREY. I want to say that I failed to mention the sales promotion of exports under 480. Mr. Chairman, that has been a godsend to the people of my State.

For example, in the soybean area, without the sales promotion developed under Public Law 480, I am sure that our cash crop out there would be one-half what it is today, and I am sure that is true of cotton and wheat.

Senator DOLE. We would like to get into it now with livestock products.

Senator HUMPHREY. That is another area where I think we should do some promotion.

The CHAIRMAN. Are there any other statements?

Senator Clark?

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM THE STATE OF IOWA—Resumed

Senator CLARK. Mr. Chairman, I have a statement which I would like to submit for the record.

The CHAIRMAN. Without objection, it will be inserted in full in the record.

Senator CLARK. I would like to make a few comments. Above all I would like to compliment you on deciding to hold a full day's hearings on Public Law 480, and Senator Humphrey and you, on the decision to go ahead with a fuller hearing on Public Law 480.

As you indicated in your opening statement, in the 20 years that the program has been in existence we have really not done that in a very thorough way, and I would just like to take a few minutes to mention the six or seven areas that it seems to me we should look at today, because we have a very distinguished group of witnesses both from the administration and outside the administration. And these areas, it seems to me, are the areas we should analyze at subcommittee hearings later.

First, there is the whole question of the goals of the program—have the goals changed, are they still valid in terms of the four criteria which were set up in the original program 20 to 21 years ago? Second, the levels and the continuity of food aid. Should those levels bounce up and down from 3.3 million tons last year to 18 million tons in 1976? Should they simply reflect our surpluses or should we establish some kind of percentages or minimums that other countries ought to depend upon?

This is particularly true, I think, in title II, but it is perhaps equally true in title I. I think we should give careful considerations to the uses of food aids. Now, Senator Humphrey went into that in adequate detail. I do not want to belabor this whole question today with the witnesses as to whether food aid should be used for political or diplomatic purposes or for humanitarian purposes. We have clearly reached a point where that decision is going to have to be made on something more than just the foreign aid bill as we did last year in imposing a 30 percent limit on the "political" use of title I assistance.

As important as I think that was, there is some question in my mind as to whether the limit is enough. In any case, that question

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has to be addressed and with that the question of who makes the decision. Is the interagency staff, the way we have now, the proper way, or does that tend to be dominated by one agency or branch of Government?

Another area that deserves attention is the whole question of the purchase of commodities. Is that being done in the most competitive way? Is that being done in a way that assures one or two or three companies do not get all of the business? The shipping procedures, I think, are subject to the same questions—is it competitive, is it done in the best possible way? We get all kinds of stories about how the food is being used. Is it really getting to the people? Is it being eaten by rodents? Is it being sold on the black market? Can we write something into the bill to have more assurances along that line?

Another question or two that need examination—should we use food aid as leverage for development? Now, we try to do that to some degree now. How successful is that? Should it be used for leverage on development or population control? And lastly, I think, what has the program really cost? What is the actual dollar cost?

So it seems to me, Mr. Chairman, that these are the items we ought to look at with the witnesses today and in more detail as the subcommittee meets.

The CHAIRMAN. Thank you very much.

[The prepared statement of Senator Clark follows:]

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM THE STATE OF IOWA

Mr. Chairman, I want to begin by thanking you for including the Food for Peace Program in the committee's review of the 1973 Agriculture Act. Your interest in the record and direction of our foreign food assistance efforts is shared by countless individuals here and abroad.

Food is essential. It is indispensable for each person, each nation, and world peace. Only recently, however, have we begun to give the question of food supplies the attention it deserves. You pointed out, Mr. Chairman, that this is the first year in your recollection that the Senate Agriculture Committee not only has retained all its members but also has been the first choice of several other senators seeking new committee assignments. Everyone now realizes the overriding importance of this country's agricultural policy and its effect on the daily life of people in Des Moines and Council Bluffs as well as in Sri Lanka and Mali.

The Food for Peace Program—PL 480—has always been an important part of U.S. agricultural policy. Established 21 years ago at a time of tremendous surplus, the program is now being critically tested during a time of shortages. Unfortunately, U.S. food assistance during the past few years has been declining while the world food situation has been worsening. Earlier this month, the Administration announced an increase in the Food for Peace Program for this fiscal year. The additional 2.2 million tons of food that has been committed is welcome and needed, even though there is some concern that the delay in the announcement of the increased assistance will prevent some of it from reaching the hungry. The increase may be an indication that the U.S. is reassuming its leadership role in food assistance, but there are conflicting signals open to conflicting interpretations.

Over the years, U.S. food assistance has become more political at the expense of humanitarian interests. For example, in 1973, nearly half our food assistance went to Indochina as thinly-disguised military assistance. In the final days of the last session, Congress restricted the amount of food for political purposes, reasserting the humanitarian intention of the law. All of this only emphasizes the need for a fundamental review of PL 480.

Is our purpose to feed the hungry or to win the hearts and minds of potential allies? Congress has indicated the direction it wants to go. The Administration, however, still prefers a different course.

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In the months before the recently-announced increase in PL 480, there were reports of attempts by the Administration to circumvent the new limits Congress placed on food assistance for political purposes. Each attempt was an effort to gain more food, more leverage, for political purposes. One attempt prompted the chairman of the Foreign Relations Committee, Senator Sparkman, to send a letter on behalf of all the members of the committee to Secretary of State Henry Kissinger emphasizing the law and the intent of Congress to restrict the political uses of food.

Although the purpose of this hearing is to review the fundemental objectives of Food for Peace—its purpose and future—we cannot ignore the current program—its procedures and restrictions. We should look at all phases of the PL 480 operation—from who makes the decisions to who makes the profits. What does the program cost us and does the food actually get to the hungry? At the World Food Conference in Rome, the Administration decided to ignore the immediate famine and direct its energies to long term problems—the committee cannot afford a similar delay.

Of course, we can't expect to resolve all the questions surrounding our food assistance program in one day. The world food problem is extremely complex. Questions of trade reform, population, development assistance and technological exchange are all encompassed in the single question of feeding the world's hungry people. And in this light, it certainly would be helpful if the committee could close the day with a call for further hearings on the Food for Peace Program.

The CHAIRMAN. Senator Young.

STATEMENT OF HON. MILTON R. YOUNG, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA—Resumed

Senator YOUNG. I consider Public Law 480 one of the most important pieces of legislation this committee ever approved, and one of the most important I ever cosponsored. The sponsor of it was the late Senator Schoeppel, of Kansas. We had surpluses then and we made good use of them. I think the food packages distributed by church organizations and CARE have gained us more friends around the world than anything we ever did with all of the foreign aid programs put together.

The farmers in my State, the wheat producers, are worried about surpluses now. In fact, the Farm Bureau and the NFO are urging farmers to cut wheat acres from 15 to 30 percent unless Congress passes adequate legislation to protect them from surpluses again.

I think an investigation of the whole program is important and necessary to preserve and improve the program, but I would hope that it would be continued.

The CHAIRMAN. We are honored to have with us this morning our colleague, the distinguished Senator from Oregon, Mr. Hatfield. Unfortunately, gentlemen, because of the vast number of witnesses who wanted to be heard, we have had to impose a limit of time of 10 minutes.

Senator Hatfield, we are honored to have you appear.

STATEMENT OF MARK O. HATFIELD, A U.S. SENATOR FROM THE STATE OF OREGON

Senator HATFIELD. Thank you, Mr. Chairman. I will subscribe to your time limit this morning.

I want to first of all express my appreciation for this hearing and for the privilege of appearing before this committee.

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Mr. Chairman, the food for peace program has been operating fairly quietly and fairly effectively for 20 years. It is the only Government program we have which is specifically designed to help feed the world's hungry. There is no doubt that it has made a difference.

In the past 2 years. the manifold ramifications of a global food shortage have gradually dawned upon us. In November, the U.S. delegation supported a resolution of the World Food Conference pledging an end to world hunger by 1985. If we mean what we say, the inadequacies of the Public Law 480 program become apparent in light of the immensity of the task.

The purposes for which it was created in 1954 do not fit the circumstances of today. Our food for peace program does not always ship food, and it does not always serve peace. It is frequently motivated more by a desire to create new demand for American agricultural commodities than a desire to meet needs for food that already exist. It often responds to political requirements more quickly than it does to the basic requirements of existence. The magnitude of today's problems and the prospects for the future demand that we do more than make incremental alterations of Public Law 480. I believe substantive changes must be made.

For several of us here, the most recent argument about what Public Law 480 is and what it should become has been over the political use of food aid. The 1974 shipment to Southeast Asia of half the aid in Public Law 480 aroused the Congress to restrict the political uses of food aid. First, Congress declared that no more than 10 percent of Public Law 480 aid could be sent to any one country. Then in the language and legislative history of the Foreign Assistance Act of 1974 (Public Law 93-559), we clearly stated that no more than 30 percent of title I concessional food aid can be directed to countries not identified by the United Nations as "most seriously affected" by the world food shortage. Despite that clear expression of intent, the administration attempted to exclude aid to South Vietnam from the limitation. When that failed, it was decided that the restriction, which specified "concessional food aid," did not cover shipments of cotton and tobacco, which will be used to boost political aid. But at least in the process we managed to have funds for Public Law 480 increased to $1.47 billion.

This skirmish should prompt us to make some changes in the intent and extent of food for peace.

First, political considerations should be completely excluded from decisions about allocating Public Law 480 aid. When the law was written, world hunger was not so critical (or we were not so aware of it) and cold war mentality demanded that we exclude certain countries from our assistance programs despite their needs. Now global hunger is all too evident, and detente has blurred distinctions between "them" and "us."

It should always have been so, but now it is imperative that our food aid be directed to those in need, not those we think we need for the accomplishment of some grand foreign policy strategy. We must not refuse aid to starving people who do not agree with our scheme of world order. On the other hand, we should not ship food to foreign countries because they happen to be our allies and regardless of their food need. Nor should food be allocated on the basis of what natural

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resources the recipient countries control and how they could use that control as an economic weapon.

These are all real problems for our foreign policy, and must be dealt with. But Public Law 480 should not be the tool. Therefore, I recommend that for at least as long as the world food shortage continues all food for peace aid be directed only to those countries that require and request assistance to feed their people, regardless of their or our political inclinations. At least for the immediate future, I suggest that we use the U.N. list of those nations "most seriously affected" by the world food crisis to determine what countries should receive Public Law 480 aid. As of January 24, that list included 32 countries with a total food deficit of 4.74 million tons, 3.2 million tons of which was attributable to India, Bangladesh, Pakistan, and Sri Lanka. I might add that South Vietnam and Egypt are not on the list. Cambodia and Laos are.

For similar reasons, I recommend that the act be amended to excise the portion that establishes the creation of export markets as one of the purposes of the program. U.S. agricultural exports have quintupled since passage of Public Law 480, and export markets are well established around the world. Food shortages continuing indefinitely into the future will assure sustained high export levels. Public Law 480 need not be used, therefore, to stimulate exports. So long as the world food crisis continues, the sole purpose of food for peace should be feeding people.

In keeping with that purpose, I recommend the act be amended to remove cotton, tobacco, and all nonfood commodities from the program. In fiscal year 1972, we shipped tobacco and cotton with an estimated market value of $114 million under title I of Public Law 480. In fiscal year 1973 the amount rose to $126 million in estimated market value. This came to a total of slightly less than half the estimated market value of wheat and flour ($505 million) for 2 fiscal years 1972 and 1973. (Data from Agricultural Statistics, 1974, published by USDA.)

The shipment of tobacco under the food for peace program is particularly disturbing to me. I was astounded to learn last year that our Government, which has found that cigarette smoking is hazardous to health, and has placed restrictions on all advertising of tobacco, then uses taxpayers' money to buy tobacco, store it, and ship it to other countries, giving low interest loans to support its purchase. Like many citizens, I had no idea this was being done in the name of "food for peace." It makes a mockery of the entire program. How much food rich in protein could have been grown on the land that provides all this tobacco?

A better case can perhaps be made for cotton. At least it can be made into clothing and provide one of the necessities of life. Here again, however, we confuse the public by sending a nonfood item overseas under the guise of "food for peace." More importantly, we expend funds that could be used for food.

I realize that Public Law 480 purchases of tobacco and cotton help subsidize the production of these commodities. I do not want to debate the question of agricultural subsidies here—it may be that these subsidies are quite legitimate. If we wish to continue them, so be it, but they do not belong in the Public Law 480 program. Again, if we

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present this program to the American people as "food for peace," it should be exactly that.

While I do not believe the production of tobacco and cotton should be subsidized through Public Law 480, I do think we have an obligation to use the program to support the price of food products. Cynics might say that I make this suggestion because Oregon produces no tobacco or cotton but a good deal of wheat, for example. But I have a different reason. The Government of the United States has committed itself to the effort to end world hunger by 1985 and has called upon the American farmer to achieve maximum production in order to meet that goal. We not only have an obligation to aid foreign countries in need, we also have an obligation to protect the price of farm products when the American farmer responds to the call for all-out production with record harvests. If we do not, we will again have land lying fallow in the United States while millions go hungry abroad.

Senator Young has already referred to that specific problem this morning.

Therefore, I recommend that this committee make it quite clear to the American agricultural community that Public Law 480 purchases of food will be increased to meet the food aid need and to protect the producer from the price-deflating effects of a surplus the commercial markets cannot handle.

In a similar vein, I recommend that Public Law 480 be amended so that the establishment of food aid levels will not be dependent upon commercial considerations. Presently, Public Law 480 levels are set only after allowances have been made for domestic needs, commercial exports, and carryover stocks. While I agree with the first and last of those criteria, I believe commercial exports should not take precedence over food for peace aid. The countries that are most seriously affected by the world food shortage do not have the money to meet their food requirements by purchases on the commercial market. As a consequence, most of our exports have gone to Russia, China, Taiwan, and Korea. Food should be sent where it is needed most first, and then any remaining surplus can be sold for export. Again, Public Law 480 purchases can be used to support prices against the effect of any decline in commercial exports.

All of these recommended amendments to Public Law 480 attempt to establish what I believe to be an appropriate balance of economic, political, and humanitarian concerns. Obviously, I believe that the last of these should be first, and that economic and political considerations should always be subservient to human needs.

Even if all my suggestions should become law, the food for peace program would still be a football to be kicked back and forth between the State Department's foreign policymakers and the Agriculture Department's farm economists. That is one reason why I will be introducing legislation to create an Office of Food Administration headed by a food administrator appointed by the President with the consent of the Senate.

I have discussed this proposal on other occasions, most recently at the December 18, 1974, hearings of the Select Committee on Nutrition and Human Needs, so I will not go into it in detail here. Suffice it to say that it is patterned after the Office of Food Administration created by President Wilson and run by Herbert Hoover during and after

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World War I. It is intended to insulate the food for peace program from bureaucratic infighting, and insure that food aid is allocated on the basis of human needs rather than political or economic interests. Furthermore, the food administrator could coordinate all Government and private food aid efforts to enhance their effectiveness. I expect to introduce this legislation later this week. Your support is welcome.

The food for peace program has always had a great deal of potential for alleviating suffering around the world. In this time of global food shortages it is absolutely crucial that the potential be fully realized. I believe the changes I have recommended can help us accomplish that goal.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Any questions?

Senator DOLE. Not a question but I think Senator Hatfield recognizes that you would need to amend the law. I read the preamble of Public Law 480. Maybe you were present. But it mentions, of course, first, the expansion of trade, the development of exports, and also foreign policy. It does, of course, mention combating hunger and malnutrition and encouraging economic development. Just one area—do you see any obligation on the part of recipient countries to improve their agriculture, or would you just give it to them regardless? Short term, the emergencies, yes. We have to do it. But long term——

Senator HATFIELD. I would distinguish between food aid, which is a short-term program which Public Law 480 represents, and agricultural support to increase production.

The World Food Conference in Rome was very definitely geared up to the long-range problems of building the infrastructures, of building productivity, of building the various other programs to increase food production. But that is to be distinguished from food aid designed to believe the immediate need. No production increases can relieve immediate need. That is why we have the food aid program. I agree. It is a two-fold program, long term and short term. I see Public Law 480 as meeting the short-term need. Agricultural technology, production grants, and other things such as working through the land grant colleges projects around the world help to increase production. These efforts plus population control programs help meet long-term needs.

Senator DOLE. Would there be some requirement that the receiving country make an effort to expand its agricultural production and improve its technology? Otherwise it is always going to be food aid for that country.

Senator HATFIELD. I do not have a crystal ball. I cannot tell you what is going to be the time factor to provide the food requirements for each country now receiving food aid or who may have to receive food aid during the transition of building that production capacity.

Let me also say that we are now raising other questions that are very complex. Some of these countries' whole social value system—their population control programs, their culture—many of these factors will not be resolved overnight. In the meantime, there are hungry, starving, people.

If we are not moved to share the resources we have with such people, I would think for our own security, our own political future, we ought to recognize that hunger today is the greatest threat to the existence of world stability. It can do more to undermine the stability

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of the world and the peace of the world than any other factor, as I see it. No longer can we say, "The hungry people are over there, and they are too hungry and too weak to organize against us."

Now that some of these countries have nuclear materials, I think that we have to recognize the increased potential for the irresponsible use of power, which use could be very harmful to us.

The CHAIRMAN. Any further questions?

Senator Clark.

Senator CLARK. Mr. Chairman, I would simply like to say to Senator Hatfield that I think his statement is not only very concise but also excellent, and I think it is not too much to say, very courageous. You have certainly shown the leadership in the Senate and in the country on this.

Just one quick point that I would like to add to your point about the tobacco and cotton shipments. When we take credit for how much we have done in the past—and we have done a great deal in food products—that we subtract the tobacco and cotton from the food because over 15 percent of everything we have shipped has been non-food products, namely, tobacco and cotton.

We may want to ship tobacco and cotton, but that ought to be done very openly and very clearly.

I think your proposal for a food administrator, which I have heard your discuss before, is an excellent one and I for one would like to cosponsor it.

Senator HATFIELD. Thank you.

Senator HUDDLESTON. Mr. Chairman?

The CHAIRMAN. Senator HUDDLESTON?

Senator HUDDLESTON. I think it is an excellent statement, but when you stopped preaching and started meddling in tobacco and cotton——

[General laughter.]

Senator HUDDLESTON. I will have considerable comment on that at the proper time.

The CHAIRMAN. Thank you much, Senator Hatfield, for your contribution.

Senator HATFIELD. Thank you. I appreciate the opportunity to be here.

The CHAIRMAN. The next witness is the Congressman from Illinois, the Honorable Paul Findley.

STATEMENT OF HON. PAUL FINDLEY, REPRESENTATIVE IN CONGRESS FROM THE 20TH CONGRESSIONAL DISTRICT OF ILLINOIS

Mr. FINDLEY. Thank you, Senator Talmadge. I have a statement.

The CHAIRMAN. It will be inserted in full in the record and you may summarize it if you like.

Mr. FINDLEY. I would also appreciate having the printed copy of H.R. 2436 included in the hearings.

The CHAIRMAN. Without objection, it is so ordered.

Mr. FINDLEY. I want to assure you that in summarizing I will not take longer than I would have taken if I had read my statement.

[General laughter.]

The CHAIRMAN. I know what you are talking about.

Mr. FINDLEY. Food aid, of course, is the heart of Public Law 480 and it is an essential part of the response that the United States

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makes to the world food challenge. My reason in taking a few moments of your time here this morning is to suggest that food aid is not a sufficient response. Someone said that highway engineers do not solve our problems; they just move them around. And I think a case can be made for that.

In a somewhat similar sense, the food aid, really, does not solve basic problems. It does alleviate hunger, that is true. But as soon as the food aid is gone, the basic problem is apt to remain perhaps even bigger than before the food aid began.

So my suggestion to my colleagues in the Senate is that they give consideration to a bill that has been introduced by Senator Humphrey on this side and by me in the House. We have 89 cosponsors including chairmen of four standing committees. On the Senate side, Senator Humphrey is joined by Senators McGee, Tunney, Hatfield, and Mondale.

The bill in question would authorize as much as $150 million a year in grants to U.S. land-grant universities. The purpose of these grants would be to enable these U.S. land-grant universities to undertake the very important mission of helping to build land-grant type universities abroad. Some of this has already been done. Six U.S. land-grant universities, including the University of Kansas and the University of Illinois, over the past 20 years have helped build 9 new land-grant type universities in India. And these have been successes. They are still functioning, they are still bringing education directly to people engaged in agriculture.

In my view, the U.S. land-grant system is the fundamental reason why American agriculture has gained in efficiency so dramatically over the years. Before the Morrill Act was enacted about a century ago American agriculture was backward. We were behind the times. This land-grant system established mass education of farmers, an unprecedented idea, and a few years later brought continuing adult education to farmers in the field, reaching almost every corner of the Nation. That is when American agriculture really became efficient, to take massive strides far beyond the productivity of other nations. And it seems to me in this time of great food challenge the United States—in addition to sharing its productivity, its productive capacity, its, you might say, surplus production in feeding hungry people—should take the even more vital step of sharing with other countries the genius of the U.S. land-grant system.

Now the bill that I have introduced, and Senator Humphrey has introduced and others have cosponsored, would place the prime responsibility upon the U.S. land-grant universities. This would be a departure from AID programs of the past in which our Federal Government was the prime negotiator in working out the details of an arrangement.

Under this proposal, a U.S. land-grant university responding to an invitation from our President, who would probably act through the AID, would undertake consultation with a developing country that had expressed a desire to work out an arrangement either to improve its existing land-grant type educational system, or perhaps to help build a brand new institution.

I believe that investment of this sort will pay dividends not only to the people of the countries that need food but to the people of the

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United States in many ways. That will, of course, help to meet an obvious humanitarian need. But in time it will help to enable these people not only to feed themselves but to build an economic base from which they can become cash customers for U.S. products of all kinds, food and otherwise.

The CHAIRMAN. Thank you very much for your presentation. Are there questions?

Senator DOLE. I just wanted to correct it. It is Kansas State University rather than the University of Kansas. They are both outstanding schools, but I went to one and the other one is better.

[General laughter.]

Senator DOLE. I also want to say for the record that Congressman Findley is well known in the House for his work in agriculture and well known around the country. Having come to Congress at the same time and having served on the House Agriculture Committee with him . . . you are back on the Agriculture Committee?

Is that right?

Mr. FINDLEY. Yes, sir.

Senator DOLE. And after last year you have probably moved up several notches.

Right?

Mr. FINDLEY. That is about the only good thing that came out of November the 5th.

[General laughter.]

Senator DOLE. I have talked to my friends at Kansas State University about this valuable program and I also circulated a letter to my Senate colleagues in support of this legislation.

I might add that I am adding one little program that I had added to Public Law 480 while I was in the House called the farmer-to-farmer program. It has always been authorized but never funded. Hopefully, before I leave the Congress it may be funded for some small amount. It would work, in my view, hand in hand with your approach. I certainly support your efforts and will be helpful if I can.

The CHAIRMAN. Senator Young.

Senator YOUNG. I wish to ask Mr. Findley if you work through the land-grant college system, which I think is a good idea, the extension service?

Mr. FINDLEY. That is the heart of it. The bill is drafted so as to encourage that to the maximum.

Now I recognize in some countries the sort of extension system is operated by the Department of Agriculture or the Minister of Agriculture and is not a part of their university system. But to the extent possible, this bill would encourage the development of an extension system patterned on our own, which, of course, is operated by the land-grant universities themselves.

Senator YOUNG. The reason I ask is a few years ago I spent some time in Yugoslavia. Their officials brought out the point that they had no way of getting new agricultural techniques to the farmers themselves. They had no extension service, no 4H or FFA for young people.

Mr. FINDLEY. In fact, some countries have agricultural technicians literally running out of their ears. They do not get the technology to the man in the field.

Senator YOUNG. Thank you.

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The CHAIRMAN. Anything further?

Senator CLARK. Yes.

The CHAIRMAN. Senator Clark.

Senator CLARK. One thing further, Mr. Findley. With regard to your bill, I think it is clear in terms of what you say the the United States has the kind of experience, knowledge, and expertise, in agriculture that should be able to be translated to other parts of the developing world. I think the concern is that that be done in a way that helps small farmers and labor-intensive types of agriculture.

We have very great research people at Iowa State University, but that is a very different thing than a 2-acre part in Bangladesh or something. It is another world entirely.

Do you feel that your legislation adapts itself to that kind of changing condition?

Mr. FINDLEY. It seems to me that the land-grant university, in its very nature, is the most flexible type of institution for transmitting knowledge to people of varying ability and skill, and I am sure that we cannot possibly transfer the technology of Iowa or Illinois to developing countries. These developing countries will undoubtedly have to go through some of the same stages as our agriculture went through. The university systems that have had experience all through these stages, namely, Iowa State University, University of Illinois, Kansas State University, and others, seem to me the best possible resource upon which to draw for this great need for flexibility.

The CHAIRMAN. Anything further?

Thank you very much, Congressman.

[The prepared statement of Representative Findley and a copy of H.R. 2436 follows:]

STATEMENT OF HON. PAUL FINDLEY, REPRESENTATIVE IN CONGRESS FROM THE 20TH CONGRESSIONAL DISTRICT OF ILLINOIS

We live in the midst of a worldwide food shortage and views about the ability of the world to feed its people show periodic swings between pessimism and optisim. One thing is sure—developing countries will continue to suffer from growing food deficits unless appropriate action is taken.

Experience shows that the problems of developing countries cannot be solved by simply meeting their emergency food needs. The only way these nations can overcome prospective food shortages in the long run is by producing more themselves.

Many countries have the rainfall, soil and climate to provide the potential for expanding food production considerably beyond present levels. What they need are well-trained, well-motivated farmers equipped with the right tools.

Currently, a large segment of the rural population in developing countries is engaged in subsistence farming. Failure to produce efficiently has its roots in a complex of interrelated factors, often including small operating units, inaccessible markets, ignorance, and lack of initiative. Some of these same factors were operative during the past century in the United States. Much of the progress achieved in advancing U.S. agricultural production to a high level of efficiency can be attributed to an educational institution which combined classroom instruction, adaptive research and adult education through extension, an institution we know as the land-grant college.

Adaptive research and demonstrations through extension services were the means by which producers, themselves poorly educated in the early phases of the program, were aroused to greater initiative and more efficient productive effort.

The problem, then is to provide agricultural training for developing nations at the level which was characteristic of training programs in our own land-grant institutions when we were developing from subsistence-level to productive-level farming. Such training should, in addition to formal instruction, include adaptive

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research and demonstration-type extension programs modeled after the agrarian agriculture and productivity level of the country.

While other nations struggle against starvation, the United States keeps setting new world's records in per capita food production.

The reason is easy to find.

For the most part, food in the U.S. is produced under a private capitalistic system in which financial incentives are established in a competitive marketplace. The most efficient farmer makes the most money. The least efficient drops out of the industry and goes into a different line of work. The farmer produces for the market, not for government bins. He gets his production directives from the consumer, not from bureaucrats.

For the most part, the role of government has been educational. Government has passed out knowledge, not orders.

This governmental role—that of bringing knowledge to the farmer—has been vital to the success of American agriculture. In fact, its importance cannot be overrated. The educational services government has provided to American agriculture, in my view, should guide us to a promising new way our governmnet can meet the challenge of famine and malnutrition overseas.

With the signing by Abraham Lincoln of the Morrill Land-grant Act during the Civil War, the United States became the first nation in history to set out deliberately to provide higher education to farmers. Until then, higher education was for the elite, the professions, the select few.

As it evolved, the land-grant system came to mean far more than classroom instruction. It became a great nationwide system of continuing education for farmers. Under it, extension specialists trained and directed by land-grant universities were stationed in each county of the nation bringing year-round continuing education to farmers. It is continuing education of the highest order—keeping farmers up-to-date on better farming methods, better seeds, better chemicals—the results of practical research by land-grant universities.

This elaborate, effective system for the distribution of knowledge to farmers quickly transformed American agriculture from a subsistence level to one of ever-advancing superiority.

For years the young men—and many young women—from these farm families have been going to agricultural colleges, adding a classroom dimension to the adult education available through extension offices.

There is hardly a piece of cropland in the country that is not used more effectively year after year, thanks in great measure to the land-grant system of education.

This system is one of the great inventions of the United States. It is also a great resource waiting to be utilized fully to help other parts of the world banish famine and malnutrition.

It is time that we share our land-grant resource with a hungry world, and share it broadly.

With substantial bipartisan support, I have introduced in Congress the Famine Prevention Act of 1975. It would authorize up to $150 million a year to U.S. Land-Grant Universities to enable them, in turn, to help build land-grant type universities in developing countries.

The provisions are directed toward those measures that will help food-deficit developing nations help themselves exploit their potentials for increasing food production. They recognize the world food-population situation, the past significant contributions of the U.S. land-grant colleges of agriculture, and the continuing need for developing nations to solve production-limiting problems through research and education.

Self-help has been the cornerstone of many successful programs, notably Point 4 programs, the Peace Corps and VISTA. The Point 4 and Peace Corps experience has shown that needy countries respond favorably to offers of U.S. assistance which will improve the lives of their people. My bill encourages aid in improving their agricultural productivity through education.

Joining me in sponsoring this proposal are more than eighty of my colleagues, including the Chairmen of four standing committees.

In the United States Senate, Hubert Humphrey is the chief sponsor. He introduced the bill with Senators McGee, Tunney, Hatfield and Mondale as co-sponsors.

The bill is the product of long study and consultation with officials of land grant universities, as well as officials of the U.S. Department of Agriculture and the Agency for International Development.

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Under this bill, the U.S. universities which have such broad experience in the classroom and extension education of farmers—and in practical research—will be given the opportunity to bring the food producing genius of this system to foreign countries which need improved production.

This means that a specified land-grant university will be the prime contractor for the building of the agricultural university in a particular foreign area.

By entering into a contract with the U.S. government, our land-grant universities will undertake to initiate or improve teaching, research and extension work related to food production, processing and distribution in less developed countries.

Once a U.S. university is ready to undertake the critical and complicated task of helping build a land-grant type university in a foreign country, the negotiation of an agreement, the organization of the new institution and the commencement of instructions and extension services will, of course, take time.

But every day's investment in the education of farmers will pay dividends. In my view, this program is so solidly based on practical experience and success that it gives great promise in eradicating famine from the earth within our lifetime.

For the past twenty years, often under less than ideal funding and administrative arrangements, the colleges of agriculture of our U.S. land-grant universities have clearly and often dramatically demonstrated that they have the competency to assist developing nations conceive, design and build land-grant type rural universities to help fill the nation's need to (a) solve production-limiting problems through the generation of problem-solving knowledge, (b) increase the number of needed agricultural scientists, teachers, and other leaders, and (c) make knowledge of improved production practices available to farmers in such a way that they can make practical use of it. The United States has proved through the overseas assistance programs of its land-grant university colleges of agriculture that comparable rural universities in developing nations, when properly conceived, adequately funded, and wisely administered, can make the same kinds of contributions to expanded food production as the U.S. colleges of agriculture have made for more than one hundred years. Using $42 million in U.S. funds—part of the money U.S.-owned local currencies—six land-grant universities in the past twenty years have helped to build nine new land-grant type universities in India.

To illustrate, the Brazilian Federal University of Vicosa, during two decades of cooperation with Purdue University, developed highly productive undergraduate and graduate education programs, useful research on priority agricultural problems and a variety of educational linkages with the rural sector. North Carolina State University's cooperative program at La Molina in Peru resulted in wide ranging and lasting impacts throughout the nation's agriculture. The institution building programs of the University of Illinois, Ohio State University, Kansas State University, the University of Tennessee, the University of Missouri and the Pennsylvania State University with sister institutions in India are well known for their contributions. Cornell at Los Banos in the Philippines; Michigan State, Kansas State and Wisconsin in Nigeria; California in Chile; Oklahoma State in Ethiopia, the USDA in Latin America, Africa and Asia—the list goes on and on. Most leading agricultural education and research institutions of the land-grant system were involved in these activities. They contributed importantly to expansion of the agricultural education, research and service capacity of the developing nations.

The prospective benefits of this program to the American people are also substantial. First of all is the satisfaction of helping to meet a growing grave humanitarian need, reducing human misery and degradation. Second is the benefit that comes from reducing famine-bred perils in the form of disease, civil disorder and even war.

And of course as developing nations build their own road to self support in food, they will then have a solid base from which to expand their economy so they can become cash customers for goods and services in world commerce, including U.S. farm products.

Investment in agricultural education makes sense abroad, as it does in the U.S. The basic idea behind this program has been repeatedly endorsed by the Department of Agriculture. Secretary Butz has called for "Food for Peace academies that will bring to international agriculture the kind of intensified practical training that the land-grant colleges brought to the common man in the United States one hundred years ago."

And Undersecretary J. Phil Campbell said in a speech in Chicago, "The greatest contribution the United States and other developed countries can make toward alleviating world hunger is to teach the less fortunate societies how to produce

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enough agriculturally to feed themselves. By sharing our know-how in agricultural production, we are sharing a commodity far more precious than food itself."

This program will not have the drama of shiploads of wheat streaming endlessly to food deficit countries, but in time it will build the foundation for successful and enduring self-help.

Instead of creating dependency and despondency as often occurs when handouts get to be a habit, this program will build self-sufficiency and self-respect.

Properly handled, and coordinated with a good program of family planning, "land grant" education can prevent famine worldwide—and, I believe, accomplish this goal within our lifetime.

The legislation must be backed with a commitment of permanent funding of a magnitude consistant with the task. It is a massive task and we should not be blind to this fact. It will require a sizeable investment over a long period. I am convinced that the returns to this investment, to the American people and to the people of the world, will be extremely high. Conversely, the cost to this nation and to other nations of not making this investment would be unacceptably high.

In facing up to the challenge of world food supply, let us reject proposals like government stockpiling, which experience has demonstrated will do more harm than good. Let us not place our confidence in symbolic gestures, like eating less meat, measures which will not necessarily alleviate hunger abroad.

Instead let us help to spread knowledge useful in food production through education of the farmers in hungry nations. Let us place our confidence in our own system of agricultural education. Let us renew our faith in the philosophy that has made American agriculture great.

[H.R. 2436, 94th Cong., 1st sess.]

A BILL To prevent famine and establish freedom from hunger by increasing world food production through the developcent of land-grant type universities in agriculturally developed nations

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress declares that, in order to prevent famine and establish freedom from hunger, the United States should help increase world food production by strengthening land-grant universities in the United States to enable them to assist and cooperate in developing and improving land-grant type universities in agriculturally developing nations.

The Congress so declares because it finds:

(1) that the establishment, endowment, and continuing support of land-grant universities in the United States by Federal, State, and county governments has led to agricultural progress in this country;

(2) that land-grant universities in the United States, through two decades of experience, have demonstrated their ability to cooperate with other nations in expanding indigenous food production, while continuing effective support of United States food production for both domestic and international markets; and

(3) that land-grant universities in the United States need a stable source of financial assistance from the Federal Government in order to expand, or in many cases continue, their cooperative efforts with other nations.

DEFINITIONS

SEC. 2. As used in this Act—

(a) The term "land-grant universities" means those colleges or universities in each State, territory, or possession, or the District of Columbia now receiving, or which may hereafter receive, benefits under the Act of July 2, 1862 (known as the First Morrill Act), or the Act of August 30, 1890 (known as the Second Morrill Act).

(b) The term "land-grant-type university" means a school of higher education in a foreign country which:

(1) conducts classroom teaching programs in agriculture, animal sciences, and vocational and domestic arts appropriate to local needs;

(2) either conducts or cooperates in programs of extension work, through which knowledge concerning food production is made available directly to farmers and farm families;

(3) either conducts or cooperates in carrying out agricultural research; and

(4) is organized to encourage the interaction among teaching, research, and extension work through adaption of land-grant principles to the local characteristics and needs.

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FINANCIAL ASSISTANCE TO LAND-GRANT UNIVERSITIES IN THE UNITED STATES

SEC. 3. (a) The President is authorized to provide financial assistance to land-grant universities under appropriate memorandums of understanding, to enable them to—

(1) strengthen their capacities in teaching, research, and extension work relating to food production, processing, distribution, and consumption in agriculturally developing nations;

(2) develop a proposal for an agreement with an agriculturally developing nation, or university in such nation, to carry out one or more of the programs specified in paragraph (3) of this subsection; and

(3) enter into and carry out cooperative agreements with agriculturally developing nations or universities in such nations, for the conduct of one or more of the following programs designed to aid in the development of land-grant-type universities in the cooperating nation:

(A) cooperation in developing capacity in the university in the cooperating nation for classroom teaching in agriculture, animal sciences, or vocational and domestic arts appropriate to local needs;

(B) cooperation in agricultural research to be conducted in the cooperating nation, at an international agricultural research center, or in the United States as a means of enriching the teaching process, providing knowledge and information useful to either university or nation, or promoting increased efficiency in the production, marketing, distribution, or utilization of food commodities in either nation;

(C) cooperation in the planning, initiation, and development of extension services, through which information concerning agriculture and related subjects is made available directly to farmers and farm families in the agriculturally developing nations by means of education and demonstrations; and

(D) cooperation in the exchange of educators, scientists, and students between the two nations for the purpose of assisting in the successful development of the university in the cooperating nation.

(b) The President shall determine which foreign nations are agriculturally developing. He shall establish and maintain a list of agriculturally developing nations which express an interest in establishing or developing land-grant type universties and shall periodically circulate this information to all land-grant universities in the United States.

(c) The President shall also solicit from land-grant universities with which he has entered into a memorandum of understanding pursuant to section 4 of this Act proposals for agreements between such universities and agriculturally developing nations or universities in such nations.

UNDERSTANDINGS AND AGREEMENTS

SEC. 4. (a) To be eligible to receive financial assistance under this Act, a land-grant university must enter into a memorandum of understanding with the President. The President shall submit each proposed memorandum of understanding to the International Land-Grant University Advisory Board for its review and evaluation before entering into such memorandum. The memorandum of understanding with regard to each land-grant university shall contain such terms and conditions as may be agreed upon but at a minimum shall contain the following:

(1) a provision that an official of the land-grant university shall be designated to be responsible for the programs carried out by such university under this Act;

(2) the terms under which the land-grant university may obligate and expand funds for the formulation and execution of proposals relating to the establishment or development, or both, of a land-grant type university in an agriculturally developing nation, including terms under which subcontracting with other United States institutions or agencies may occur; and

(3) a requirement that the land-grant university shall submit an annual report to the President, which report shall include a statement of the activities carried out by such university pursuant to the memorandum of understanding during the preceding twelve months and a projection of all such activities, if any, that it may contemplate during each of the next ten years.

(b)(1) Before entering into an agreement with an agriculturally developing nation or university in such nation, a land-grant university shall submit the proposed agreement to the President for approval. Before approving a proposed

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agreement the President shall submit it to the International Land-Grant University Advisory Board for review and evaluation.

(2) Each agreement between a land-grant university and an agriculturally developing nation or university in such nation shall set forth the level, character, and duration of the obligations that the land-grant university and the cooperating nation or university in such nation agree to assume, and shall include provisions to insure that the university in the cooperating nation is a land-grant type university as defined in section 2(b) of this Act.

INTERNATIONAL LAND-GRANT UNIVERSITY ADVISORY BOARD

SEC. 5. (a) To assist in the administration of the programs authorized in section 3 of this Act, the President shall establish an International Land-Grant University Advisory Board to be composed of four representatives from the Federal Government, one of whom shall be designated by the Secretary of Agriculture, and four representatives from the land-grant universities in the United States. The Board shall remain in existence indefinitely.

(b) The duties of the International Land-Grant University Advisory Board shall include, but not be limited to, providing for:

(1) review and evaluation of memoranda of understanding between the President and land-grant universities, and each substantial amendment thereof;

(2) review and evaluation of proposals for agreements between land-grant univerities and agriculturally developing nations or universities in such nations before final approval by the President;

(3) oversight of agreements and domestic activities authorized by this Act and undertaken by land-grant universities to assure compliance with the purposes of this Act; and

(4) recommendations to the President for the apportionment of funds to the President for administrative expenses and to land-grant universities which have entered into memorandums of understanding with the President pursuant to section 4 of this Act.

(c) In making recommendations pursuant to subsection (b)(4) of this section the International Land-Grant University Advisory Board shall consider all pertinent factors, including the following:

(1) the capacity of the land-grant university in the agricultural sciences;

(2) the capacity of the land-grant university to maintain an appropriate balance of teaching, research, and extension functions;

(3) the capacity, experience, and commitment of the land-grant university in international agricultural efforts; and

(4) the priority of the problems to be solved in the cooperating nation.

WITHHOLDING OF FUNDS

SEC. 6. If the President determines that a land-grant university with which he has entered into a memorandum of understanding has failed to comply with the requirements of that memorandum or has failed to carry out the provisions of an agreement with an agriculturally developing nation or university in such nation, he may withhold any funds apportioned to or due such land-grant university.

FUNDING

SEC. 7. (a) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this Act, but not to exceed $150,000,000 in a fiscal year. Such sums are to remain available until expended.

(b) Funds authorized under this Act shall be in addition to any allotments or grants that may be made under other authorizations.

(c) Land-grant universities may accept and expend funds from other sources, public or private, in order to carry out the purposes of this Act. All such funds, both prospective and in hand, shall be periodically disclosed to the President, as he shall by regulation determine, but no less often than in each annual report.

EXERCISE OF FUNCTIONS

SEC. 8. The President may exercise any functions conferred upon him by this Act through such agency or officer of the United States Government as he shall direct. The head of any agency or any officer to whom functions under this Act are delegated by the President may promulgate such rules and regulations as

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may be necessary to carry out such functions, and may delegate authority to perform any such functions, including, if he shall so specify, the authority successively to redelegate any of such functions to any of his subordinates.

The CHAIRMAN. Before we proceed, I ask unanimous consent to insert a statement from Senator Kennedy.

[The statement of Senator Kennedy follows:]

STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, this is an especially unsettling time for our country. In my home state of Massachusetts—as across the nation—the patience of the American people is being sorely tested in the unemployment line each day. Enduring the crushing burden of runaway inflation has become a daily struggle. And although the troubled state of our economy understandably captures our primary attention today—there is a companion crisis, that in the long run is every bit as important and difficult for our country and all other nations. It is the crisis over world food.

Unlike the energy shortage, the current world food situation carries with it the silent and deadly hand of starvation and famine—which silences people, not simply machines. Only those who cannot be heard suffer in silence or die of famine, and today, that is a growing majority of the developing world's population.

For years we have thought ourselves immune from the impact of world hunger. As more and more people perish from famine and severe malnutrition, they become mere statistics, to be added together each year. Despite our generous policy of international agricultural assistance, the world will continue to face growing shortages in coming years, shortages which inevitably will have a significant impact upon our agricultural policies here at home.

Since 1954 it has been the intention of Congress, reflecting the traditional humanitarian concern of the American people to help arrest famine, that the United States come to the aid of hungry nations in time of need.

Public Law 480—the Food for Peace Program—has been our response to nations which have turned to us for food, and whose people measure food needs in terms of hours and days, not weeks and months.

The legacy of Food for Peace is an international success story, evident in the millions of lives saved from the ravages of hunger and famine wherever found and the successful agricultural development programs funded under the program.

Unfortunately, over the past few years, the Food for Peace Program has failed to reflect the genuine humanitarian concerns of the American people. Our food surplus has not always reached those who need it most. Rather food for peace has come to be a moral name for a politicized program serving not only the interests of hungry people, but also the far-reaching foreign policy interests of our government. Today, food for peace has a disturbing tendency to arrive in ports where hunger does not exist. In 1974 alone, over 45%—nearly half of our entire humanitarian food shipment program—wound up in Indochina to help fuel a war rather than to feed those who are desperate for a source of food. Nations experiencing severe malnutrition and famine were forced to stand at the end of the line, waiting for our government to determine what would be left over, after the vast amount of our surplus PL480 food went to purposes which cannot be called humanitarian. And while commercial food exports are necessary for our balance of payments—a more equitable balance between commercial food exports and humanitarian food assistance must become a reality.

Over the years, abuse has piled upon abuse. Food for Peace—a goodwill program of assistance—has become a misguided instrument of our government's foreign policy. Our government's neglect of the humanitarian ideal and purpose of Public Law 480 not only upset food shipments to starving nations, it also caused chaos in the shipment and delivery of emergency assistance to drought-stricken nations. As a result, these policies nearly destroyed the many developmental food programs of American voluntary agencies, and reversed longstanding guidelines on the implementation of the Title I and Title II provisions of the law.

Just this week, Congress has learned that the delivery of a substantial share of Title II food—the grant portion of the program administered by these agencies—is in jeopardy because our government sat on its hands too long before deciding whether or not to increase the funding for the program.

As a result of this long-term period of indecision, there is strong likelihood that voluntary agencies will not be able to provide shipping facilities needed to trans-

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port Title II commodities to nations totally dependent upon these shipments to help feed their population.

In this era of world hunger, when millions of famine refugees are on the move in search of sustenance, and when nations are totally dependent upon what food is available for export in the United States, we can no longer tolerate further mismanagement of the Food for Peace Program. Not only do the American people deserve better use of their food surplus, but the United States has made a solemn commitment to help feed the world's hungry population.

In Rome last November—at the World Food Conference—Secretary of State Kissinger committed the maximum available resources of the United States toward an international effort aimed at alleviating hunger and malnutrition in famine-striken nations. Hopefully, our active participation at the World Food Conference marked the beginning of a new era of international food assistance cooperation. In this spirit, it is time to revive and reassert the humanitarian principles of Public Law 480, and determine what additional steps must be taken by our government to coordinate our international food policies, with those of the international community and multilateral assistance programs.

In an effort to begin achieving this objective, I joined other Senators of this panel in authoring an amendment to the Foreign Assistance Act for Fiscal Year 1974, which placed a 30% ceiling on concessional political food export sales under Public Law 480. It was our intention to tie food exports to an international humanitarian barometer, in this case, the Most Seriously Affected (MSA) list of nations earmarked for special humanitarian concern by the United Nations.

This amendment has received much attention in recent weeks, especially by our government. And this Congressional effort, taken within the context of an increasing interest in American foreign food policy, is a reflection of the growing concern expressed by the American people for a greater say over our food export policies.

The amendment, however, is only a small step in the more difficult task of restructuring the entire Food for Peace program to conform to the requirements of a hungry world. Much has changed since the laws was passed over twenty years ago.

In just a few years, the world's food supply has become increasingly precarious. Drought and conflict have turned traditionally self-sufficient or food exporting nations into importers of food. More and more victims of drought are dying from disease and malnutrition, or have become totally dependent upon international food handouts.

Farm machinery lies idle for lack of fuel, as oil prices rise beyond the reach of farmers. Fertilizer, the basis of greater food production, is either scarce or non-existent. Without fuel or fertilizer, and the constant cooperation of nature, the tragic cycle of food deficits will become increasingly prevalent, and with each passing day, the situation only deteriorates. More people wait in line for food. More children die from hunger and severe malnutrition. More famine refugees choke hunger camps. And more reports of famine and starvation with predictions of greater suffering to come reach our shores. We as a people can do much to alter this dire trend.

This hearing is focusing not only on the worldwide food situation today, but also on the longer-term coordination and formulation of American international food policies which will ultimately decide the fate of millions.

The important recommendations for change in present legislation which will be raised here today, and the new policies which must be formulated in the days ahead, should receive careful consideration by our government and the Congress. In order to meet the needs of famine stricken countries, a new foreign policy on food, coordinated with the policies of other governments and international agencies, must be swiftly adopted by our government, so that we may finally move ahead in meeting international food needs in a coherent manner. In this direction, I propose the following recommendations concerning the future of Public Law 480.

First, it is imperative that we remove Public Law 480 provisions dealing with humanitarian food exports from the policy straightjacket imposed by present legislation. Today, the Secretary of Agriculture, despite Congressional efforts, is still relatively free to determine how much surplus humanitarian food is available after anticipated commerical exports are set aside. This authority, which has been religiously used by the Department of Agriculture for over seven years, has not been without its high price, and is evident in the decreasing level of humanitarian food exports.

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I propose that our surplus food earmarked for exports under Public Law 480 be programmed without such constraints. Each year, we should set a level of Food for Peace exports without reference to commercial sales, and within the Food for Peace Program itself, we should emphasize humanitarian exports.

Second, the Food for Peace Program should contain provisions which would set aside some portion of our humanitarian food exports toward the creation of a World Food Bank. This proposal, which I recommended over two years ago, has not received the necessary attention of our government. Instead of leaving ourselves and other nations to the mercy of drought conditions, we can begin to undertake cooperative international steps in carrying out the policy recommendations of the World Food Conference.

Third, we must bring into the open the manner in which our humanitarian food is allocated under the program. Officials representing different government agencies, gather to decide each nation's food allocation. They are answerable to no one. Why should such authority be permitted to continue without Congressional or public supervision or input? Not only would the interests of the American people be better served if this practice came to a halt, but also the humanitarian goals of the program could become a reality.

Fourth, the Congress and our government must come to a clear understanding over the percentage of food exports to nations not appearing on the Most Seriously Affected list—those countries receiving food through a "security supporting assistance program". Until this year, nations such as India and Bangladesh, whose populations are the world's hungriest, received a small percentage of our total food exports. Congress could continue to impose a percentage limitation on food exports to "political" recipients each year; but this would not be truly effective in gaining the proper emphasis on humanitarian exports, in the implementation of the law. To gain this emphasis will require understanding of the new era of food scarcity not only in our policies, but also in the attitude of our leaders.

It is important that the developing world can count on a reasonable level of surplus American humanitarian food. This level must increase; and it must be predictable, so that fluctuations in price and availability do not impose undue hardship on these nations, nor on the price of food here at home.

Fifth, and most important, our food assistance abroad must be oriented toward multilateral assistance programs and the coordinated efforts of other nations which are also contributing their food and resources to famine-stricken countries. Today, two agencies, each with parochial interests, administer the Food for Peace Program—the Department of Agriculture, and the Agency for International Development. These two agencies have failed to administer the program effectively in conformity with the wishes of the American people. Little opportunity is available within the framework of policy making to strengthen the humanitarian dimension of the program. As long as this continues, the mistakes of the past will be repeated. It is time not only to amend the law, but also to begin the task of implementing the recommendations of the World Food Conference, which provide a viable alternative to today's preoccupation with bilateral food aid.

Our food, if wisely invested in the days ahead, can pay rich dividends in the future for the economy and nutrition of Americans and citizens throughout the world.

The health and well-being of people in all nations is an essential ingredient in building a lasting structure of peace and world stability. Today, newly emerging nations in Africa such as Cape Verde will depend upon the assistance of our government and the international community for a viable start in the task of nation-building. We, who have so much food available not only to feed our people, but to help feed others, must undertake a greater commitment to help today's hungry people.

If we are successful in shaping our food assistance program to work in conjunction with present agricultural development and rehabilitation programs, the tide of famine can be turned back. While we will not be able to end hunger abroad, our efforts today can help millions of famine victims, and reflect a genuine awareness of the world's growing interdependence.

The CHAIRMAN. The next witness is Mr. Richard E. Bell, Deputy Assistant Secretary of Agriculture.

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STATEMENT OF RICHARD E. BELL, DEPUTY ASSISTANT SECRETARY OF AGRICULTURE FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. BELL. Thank you, Mr. Chairman.

I appreciate having the opportunity of coming before the committee this morning to talk a few minutes about Public Law 480.

I have with me this morning Mr. Arthur Mead, our Assistant Administrator for Public Law 480 at the Department of Agriculture and the Chairman of the Interagency Staff Committee for Public Law 480. Mr. Mead oversees the day-to-day operations of our Public Law 480 operations and is responsible for coordinating the work with other agencies on a day-to-day basis.

I think, Mr. Chairman, it would be helpful to recount in a very brief form the first two decades of Public Law 480 to help us look ahead.

In our judgment, Mr. Chairman, the program has withstood the test of time. It has operated successfully in times of abundance and in times of scarcity. It has served the needs of various countries such as the massive emergency operation in India in the mid-1970's and the grain stabilization scheme in the Sahel area more recently; it has programed upwards of $30 billion in U.S. farm products; and it has fulfilled, with varying degrees of emphasis, the objectives of the program; namely, agricultural market development, humanitarian feeding, development assistance, and foreign policy.

The Department is particularly involved in that aspect of the program relating to the promotion of commercial farm exports. The committee is aware of the many former concessional sales recipients such as Spain, the Republic of China, and Brazil, which are now large and entirely cash customers for American agriculture. The growth of our efficient agriculture depends on foreign markets. This trade totaling $22 billion in calendar year 1974 supplies the foreign exchange to offset substantially unfavorable trade balances in other sectors.

The tight supply situation and higher commodity prices during the past 2 years have muted the market development aspect of Public Law 480 in favor of humanitarian and foreign policy aspects. As the market situation eases, we look forward to the market development opportunities the program provides.

Public Law 480 has been sustained by six main commodity categories and the products of some of them—wheat, rice, feed grains, vegetable oil, cotton, and tobacco. Programing during the current fiscal year has emphasized the food crops of wheat and rice where our export availabilities have been good. Following the decision to increase commodity food aid recently to $1.47 billion, we have set targets of about 4 million metric tons of wheat and 1 million tons of rice for disposition under Public Law 480 as the major components of the title I concessional sales program. The major components of the title II donation program are wheat and products, feed grains and products for food purposes, and nonfat dry milk.

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The volume of food assistance in fiscal year 1975 is targeted to increase to about 5.5 million metric tons from 3.3 million metric tons last year. The exact volume will depend upon our ability, along with participating countries, to implement the increased allocations resulting from the large increase authorized in food aid spending.

As we look ahead, we continue to view Public Law 480 as a vehicle flexible enough to meet the different objectives envisaged 20 years ago; and, they are still relevant. We are coming through a period of tight supplies, higher prices, and the imperative to make country/commodity allocations with great care. We foresee an easing of the supply situation and increased capability to join with other exporters, and countries able to supply financing, in reaching the World Food Conference target of 10 million tons in annual food aid in cereals.

Also, we support and urge continued focus of the World Food Conference resolution on increased productivity, particularly in food deficient developing countries. In this connection, there is optimism in the Department that increases in production can be sustained so that the main issue and problem will be the distribution and financing.

It might be useful to review the current situation respecting the grain import requirements of 32 countries designated by the United Nations as "most severely affected" and the deficits for the year ending June 30 for these countries as reported by the Food and Agriculture Organization. Some of you may recall that it was agreed at a meeting of November 29, 1974, sponsored by the FAO in cooperation with the International Wheat Council, to appraise the uncovered food needs of the MSAs. The latest report for the 32 countries, as of January 24, reports a total grain import requirement of about 17 million tons of which 12.2 million tons has been covered, leaving an uncovered balance of about 4.8 million tons. Using the latest data available to us in the Agriculture Department, we estimate the uncovered import requirements of MSAs had been reduced to about 3.2 million tons by mid-February. About two-thirds of the remaining import requirements can be met by Public Law 480 shipments yet to be programed. The remainder will be filled by further commercial purchases by the MSAs themselves or by food aid from other donors.

About 80 percent of the overall MSA import requirement for 1974–75 has been in South Asia in the four countries of India, Bangladesh, Pakistan, and Sri Lanka. We estimate these four countries had total import requirements of about 12.7 million tons of grain in 1974–75. At present, 90 percent of these import requirements have been covered. The import requirements have been covered 80 percent by commercial purchases by the countries themselves and 20 percent by food aid programs. U.S. food aid shipments are concentrated this year in South Asia. Nearly half of the 5.5 million tons to be shipped under Public Law 480 during fiscal year 1975 is expected to go to South Asia.

Mr. Chairman, we are submitting tables with this statement showing Public Law 480 agreements entered to date and commodity shipments on an actual basis for fiscal year 1972 through fiscal year 1974, estimates for fiscal year 1975, and projections for fiscal year 1976. We will be happy to respond to the needs of the committee.

The Chairman. Thank you, Mr. Bell.

I noticed in your statement that you had programs to date—$30 billion in U.S. farm products since the program began.

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Is that correct?
Mr. BELL. Yes, sir, that includes cotton and tobacco.
The CHAIRMAN. Will you tell the committee a breakdown as to how that distribution was made? First, title I—how much was under title I?
Mr. BELL. Over the years, about 25 percent of the Public Law 480 program has generally been used for title II or the donation programs, and the other 75 percent has gone under title I. It can vary substantially from year to year, depending upon the situation.
The CHAIRMAN. Of the 75 percent, that would be something on the order of $20-odd billion, what percentage of those sales were for dollars and what percentage for foreign currencies?
Mr. BELL. I do not have the exact figure in mind. Perhaps Mr. Mead does. But the early days of the program were concentrated in the sales for foreign currencies. A few years ago the program was converted to repayment in dollars in the form of long-term credits.
Mr. Mead?

STATEMENT OF ARTHUR MEAD, ASSISTANT ADMINISTRATOR, PUBLIC LAW 480 PROGRAMS, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. MEAD. Mr. CHAIRMAN, we can put the information in the record. In round terms for currency sales totaling about probably $12 to $13 billion.
The CHAIRMAN. In foreign currency?
Mr. MEAD. Yes, sir. And now we are exclusively on dollar credit and we have entered into upward of $5 billion in dollar credit agreements.
The CHAIRMAN. How much of the $30 billion has been collected in dollars?
Mr. MEAD. All of the foreign currency sales, of course, involved payment upon delivery in foreign currency, so there were no dollars involved directly.
The CHAIRMAN. I thought you had made some contracts for dollars.
Mr. MEAD. Yes, sir, in the $5 billion level of dollar credits.
The CHAIRMAN. How much?
Mr. MEAD. $5 billion that we have entered into. We have collected principal of about $1 billion in dollars so far and about $300 million or so in dollars in interest. Those accounts are current. The remainder is due over a period of time. In other words, we have collected about $1⅓ billion in principal and interest under the dollar credit program
The CHAIRMAN. How much has been collected in foreign currencies?
Mr. MEAD. All of the roughly $12 or $13 billion has been collected.
The CHAIRMAN. I thought we canceled $2 billion to India last year.
Mr. MEAD. That is correct, Mr. Chairman, that was collected, and in the rupee settlement——
The CHAIRMAN. Do you mean we collected it and then sent it back to them?
Mr. MEAD. What was involved there was that we had collected it; yes, sir.
The CHAIRMAN. Where did you collect it?
Mr. MEAD. Where? In India. In New Delhi.

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The CHAIRMAN. Was it deposited to the credit of the United States in India?

Mr. MEAD. That is correct, sir.

The CHAIRMAN. And then you have given it back to India.

Mr. MEAD. Roughly $2 billion was given back.

The CHAIRMAN. What other cancellations have you made?

Mr. MEAD. That is the only major cancellation of this kind that we have had, Mr. Chairman.

The CHAIRMAN. No other of any kind?

Mr. MEAD. Not of this kind.

The CHAIRMAN. What was the motivation for canceling India's debt while they were building an atomic bomb?

Mr. MEAD. From our side I think the motivation was to end once and for all the rupee issue. In other words, if the rupee settlement had not been made, interest upon interest would have accumulated through the year 2000.

The CHAIRMAN. Cancellation then was a political consideration.

Mr. MEAD. Yes, sir, in part.

The CHAIRMAN. When you make these concessional sales for foreign currencies, exactly how is that handled?

Mr. MEAD. I am sorry.

The CHAIRMAN. Concessional sales for foreign currencies, exactly how are those handled?

Mr. MEAD. The sales?

The CHAIRMAN. Yes. First what is the interest rate?

Mr. MEAD. The minimum interest rate, Mr. Chairman, is tied to the interest rate of development loans in the Foreign Assistance Act and the minimum rates are 2 percent during the grace period and 3 percent thereafter.

The CHAIRMAN. Two percent——

Mr. MEAD. During the grace period and 3 percent thereafter. Those are the minimum rates.

The CHAIRMAN. What is the terms of the loan maximum and minimum?

Mr. MEAD. Forty years is the maximum. There is no minimum.

The CHAIRMAN. What happened to those currencies? How do we use them?

Mr. MEAD. Under the current dollar credit arrangements these are credits. The Commodity Credit Corporation gets a note with payments over a period of time. The sales proceeds of the commodities under the title I sales agreement are the property of the country.

The CHAIRMAN. What country?

Mr. MEAD. The recipient country.

The CHAIRMAN. Recipient country. The note that they make to us is the product of the recipient country?

Mr. MEAD. No, we have the note and they will pay dollars over a period of time When the wheat is sold into the commercial system and generates currency it is their proceeds.

The CHAIRMAN. In others words, we cannot bring it home.

Mr. MEAD. That is right. We have dollar credit to be paid over a period of time with interest and they have a commodity and upon entry into the commercial market it develops proceeds and those are theirs. The United States mission abroad works with them in using these proceeds for economic and agricultural development.

The CHAIRMAN. Within that country?

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Mr. MEAD. Yes, sir.
The CHAIRMAN. Do we bring any of it home?
Mr. MEAD. No, sir.
Mr. BELL. Part of the proceeds under the foreign currency program, Mr. Chairman, are convertible for use in such programs as our market development program in countries which are not food aid recipients. I think it is 5 percent of the proceeds have to be used for market development purposes. It is what was called 104A, and those funds, Mr. Chairman, have been used over the years to finance our market development programs in Western Europe and in Japan, we think this is one of the more important aspects of the Public Law 480 program; that is, for marketing purposes.
The CHAIRMAN. Does it all have to be spent within that particular country?
Mr. BELL. No. In making up the various agreements there was a certain amount set aside for market development purposes in other countries.
The CHAIRMAN. When you mean market development purpose? Suppose we send wheat to India and you are promised some rupees. Can you take those rupees to another country?
Mr. BELL. In the days when we were receiving payment in terms of rupees, a certain percentage of those rupees had to be convertible into hard currency and could be transferred.
The CHAIRMAN. What percent?
Mr. MEAD. Two percent. We received 5 percent of the total sales for market development but 2 percent had to be converted.
The CHAIRMAN. Only 2 percent.
Mr. MEAD. Yes, sir.
The CHAIRMAN. How much of that currency is being utilized in exchange for dollars when American tourists visit those areas?
Mr. MEAD. The last I recall, Mr. Chairman, around $20 million to $22 million had been used by tourists.
The CHAIRMAN. Do you mean out of $30 billion, only $20 million to $22 million had been used by tourists?
Mr. MEAD. Yes, sir.
The CHAIRMAN. Why can we not do more when our tourists visit these countries where we have all these huge sums of foreign currencies accumulated to our credit which we cannot take out of the country? Why can we not sell them to our tourists for dollars and do something about our balance-of-payment deficit?
Mr. MEAD. There are efforts by the Treasury Department to make these available to tourists, Mr. Chairman.
The CHAIRMAN. Do you mean you get no takers, that is the problem?
Mr. MEAD. Well, there are not very many countries which are excess currency countries where it would be balance-of-payments benefits to us, and in those areas there have not been substantial takers, yes, sir.
The CHAIRMAN. Senator Dole.
Senator DOLE. Do you have any figures on the total cost to the United States since Public Law 480 started back in 1954? You talk about $30 billion in agricultural commodities. Are you talking about the total cost?
Mr. MEAD. Gross cost, yes, sir.
Senator DOLE. Distribution, transporation, interest.
Mr. MEAD. It would include certain ocean transportation costs.

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Senator DOLE. Are there other costs not figured in that sum of $30 billion?

Mr. MEAD. The interest costs are not substantial, Senator Dole.

Senator DOLE. And the administrative costs?

Mr. MEAD. There are some slight administrative costs, but the bulk of the costs we are talking about are commodities and ocean freight to the extent that we finance ocean freight.

Senator DOLE. So that figure is just the commodity plus the freight and does not include the millions of dollars that different aid agencies and programs——

Mr. MEAD. No.

Senator DOLE. So the real cost of Public Law 480 to the American taxpayer is greatly in excess of $30 billion then.

Mr. BELL. I would not say that, Senator Dole, in that these programs are administered by relatively few people who are working exclusively on Public Law 480 activities. Mr. Mead and his staff are, but most of the people involved in Public Law 480 have it as just one of their jobs so they have broader functions.

Senator DOLE. So you did not put on any additional personnel over the years for Public Law 480.

Mr. BELL. We did a few but not very many.

Senator DOLE. In other countries?

Mr. BELL. When you get overseas, Senator Dole, the AID people do a lot of the servicing, so you would have to take something out of the AID budget and count it as part of the administration of Public Law 480. But again, I do not think it would be very much.

Senator DOLE. I am not quarreling with you. I am just suggesting that perhaps it is even more than that.

I attended the World Food Conference and I thought it was an exercise in kicking America around. It just seems to me that the record ought to reflect what this country has done, everything we have done, how much it has cost. Not just the value of the food commodities—we do not expect to be thanked—but now and then at least we ought to tell our own people what it costs as we expand it further.

According to the news reports the voluntary agencies are acclaiming that you cannot move this additional food provided in funding levels for this fiscal year.

Are you going to be able to deliver the food to those in need by June 30? Senator Humphrey raised that question, too. You may not have been here, but——

Mr. BELL. I think that in the case of title I we may have some difficulty, but in the case of title II, we do not expect to have trouble moving that.

We do expect, in the case of the title 1 component, to need some luck to get the 4 million tons of wheat moved, the million tons of rice that we have set out to do.

Senator DOLE. What happens if you do not get that moved? Does it go into the next fiscal year?

Mr. MEAD. Yes, sir, it does.

Senator DOLE. Why would you program something you could not deliver? Just for public relations?

Mr. MEAD. I think what Mr. Bell is saying is that, on the title I side, it involves negotiating agreements, with a foreign country. It

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involves their actual buying. It means their folding 480 into their commercial program, and therefore there are elements not within our control which could lead to some carryouts at the end of the year.

Senator DOLE. How much time do you need to negotiate an agreement? Is there any general time frame you need after the agreement was reached or signed to start delivery?

Mr. MEAD. For those countries such as Bangladesh and Pakistan, who are very familiar with the program, we can issue purchase authorizations immediately, and they can implement them. In some of the newer countries, there may be difficulties or logistical problems.

Senator DOLE. If the agreement is reached in this year, does it have to be delivered?

Mr. MEAD. Technically it does, although traditionally—and we have had this every year—if there are quantities carried over, we normally carry them over into the next year.

Mr. BELL. And they count against next year's budget.

Mr. MEAD. But that would be delivered in July and August, and of course the food is needed then, too. But there could be some delay, yes, sir.

Senator DOLE. I was trying to explain the expressed criticism that "they increased what they were going to do in this fiscal year, knowing in advance that it could not be accomplished." When you go from 3.3 to what?

Mr. BELL. 5.5 million tons.

Senator DOLE. It is a significant increase. How much of that do you think is actually going to be delivered?

Mr. BELL. I think, Senator Dole, we will be close to the 5.5. If we are short, I would not think it would be more than 200,000 or 300,000 tons. Our most difficult problem, in fact, lies in the rice, not in the wheat.

Senator DOLE. What portion of title II donations are going to be in the form of processed or blended foods?

Mr. MEAD. I think our table, Senator Dole, should indicate——

Senator DOLE. The one which is attached?

Mr. MEAD. I believe it does. I hope that it does.

Senator DOLE. Would that be under "Other"?

Mr. MEAD. I could find it, or I could furnish it for the record.

Senator DOLE. If you would just furnish it for the record, please.

[The following material was subsequently received for the record:]

TITLE II, FISCAL YEAR 1975 ESTIMATED SHIPMENTS

Processed/blended food	MT[1]	Thousands (CCC)
Cornmeal	32,400	$6,530
Sorghum grits	38,600	10,714
Rolled oats	17,165	5,471
Wheat flour	211,145	60,064
Bulgur	178,755	43,406
Whey-soy drink	4,220	4,122
CSM/CSB	130,025	41,348
WSB	61,185	20,440
Total processed/blended foods	673,495	192,095
Percent of total estimated title II shipments	54	43

[1] Based on actual pounds of commodity; not grain equivalent basis.

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Senator DOLE. In your statement you mentioned on reaching the World Food Conference a total of 12 million tons in annual food aid in cereals. What will be the U.S. share of that?

Mr. BELL. That, Senator Dole, would be yet to be negotiated. At the present time, the international commitments for food aid and cereals amounts to only about 4½ to 5 million tons a year. There are two commitments which we in the U.S. Government have on an international basis for food aid. One of them is the Food Aid Convention of the International Wheat Agreement of 1971 as amended, by which we are committed to supply 1.9 million tons a year. We generally have exceeded that. We also are committed currently to supplying about $70 million a year under the World Food program, all of that is met through the title II donations, so that it has not yet been decided how this 10 million tons would be shared among various donors. It was the contention of the present food aid donors, basically the United States, Canada, Australia, the European Community, and Argentina, that if we did increase the international commitment from the present 4½ million tons to 5 million tons, up to 10 million, that we would expect that there should be some new donors to come into it. We were particularly hoping that we might be able to have some financing from some of the oil producing countries.

Senator DOLE. That is my next question. Has there been any indication that that is forthcoming, any financing from the oil producing countries?

Mr. BELL. At this stage, there has not. The oil producing countries apparently are supplying substantial amounts of funds for aid and development purposes. But at this stage, they have not gotten into the food area. We would hope that they will, though, as time goes on.

Senator DOLE. What about processed foods under title I; processed grain products, title I and title II, like flour? It provides a lot of employment, not only within a State, but also dockworkers. Is an effort being made in this program to help our economic conditions? Will there be any significant amounts of flour, for example, under title I and title II, shipped?

Mr. BELL. I would ask Mr. Mead to answer that.

Mr. MEAD. Most of the flour and processed products that we ship, Senator Dole, are under title II.

Senator DOLE. Right.

Mr. MEAD. Because of the type of recipients to which these shipments are directed under title I, the opportunities for products are more limited. Most of the countries have mills. And therefore, the bulk of the shipments has been wheat. However, there are certain countries, like Sri Lanka and Guinea, where we anticipate—particularly Sri Lanka—substantial shipments of flour. Beyond that, for some of the other recipients, such as Egypt and possibly Syria, there may be some possibilities for flour shipment since they are traditionally substantial flour importers.

The CHAIRMAN. Senator Clark?

Senator CLARK. Just two or three followup questions to what the other two Senators have already asked, particularly on the shipping or the carrying. As I understood your comment, Mr. Bell, there is a carry-in from one year to the next, but it is automatically subtracted

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from the budget of next year, so that you really keep it, but in effect lose it in that it is subtracted from the next year's budget.

Mr. BELL. That is correct, sir.

Senator CLARK. And my question is, what percentage? We are now virtually three-quarters of the way through this fiscal year. What percentage of title I and title II of the 5.5 total has actually been shipped? We are talking a lot here about whether we can still ship it. What percentage of title I and title II has been shipped with the year three-fourths over?

Mr. MEAD. Probably not more than 25 percent.

Senator CLARK. So you still have 75 percent to ship in the last 25 percent of your time?

Mr. MEAD. In the last one-third, at least.

Senator CLARK. Well, you have 4½ months.

Mr. BELL. It is not unusual for us to concentrate our shipments during the latter part of the year.

Senator CLARK. I see. Why is that?

Mr. BELL. Generally, the procedure has been that we do not want the aid shipments to interfere with the commercial markets, and we left those somewhat clear. We get a feel for the market, and begin programming the food aid shipments. There is always a tendency, it seems, for the shipments to be concentrated more in the latter one-half of the year. Admittedly, this year we are farther behind than we have been in some years. But I still think that other than the problems we have on rice, I think we have a good chance of getting close to the 5.5 million tons.

Senator CLARK. I was under the impression at the Rome food conference that we were advised that we were really shipping it at a faster rate than normal, and we were really moving in the direction of higher food aid levels, even though we were not prepared to announce those.

Mr. BELL. The discussion at that time as I recall it, Senator Clark, had to do with our commitments rather than our actual shipments.

Senator CLARK. Yes.

Mr. BELL. And I think we were farther along in commitments at that time than many people were aware of.

Senator CLARK. The second question; if you cannot ship all of title I, do you intend to abide by the foreign aid bill amendment of 70/30? Are you prepared to give the Congress the assurance that that amendment will be abided by even if you do not ship all of the food?

Mr. MEAD. Senator Clark, the 70/30 provision provides that not more than 30 percent of concessional food allocations be made available to non-MSA countries, and that is the basis upon which we are proceeding. Senator Hatfield earlier talked about this not applying to nonfood. It would apply only to food on a 70/30 basis, and we are proceeding on the basis of allocating 70/30.

Senator CLARK. So there is no guarantee you are going to ship 70/30, only the guarantee that you will allocate it; and if it is not shipped by June 30, you will just subtract that from next year's budget? In point of fact, will you not be shipping 70 percent of the food to the most needy nations, or not necessarily?

Mr. MEAD. Well, not necessarily. But I would think very likely, given the concentration in South Asian MSA countries. I would put

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it a little differently, Senator Clark. It would carry over into next year's budget and next year's availabilities, and rather than being subtracted, I think we would take those into account.

Senator CLARK. But you are not under requirement of law, because that law only applies until June 30?

Mr. MEAD. What I am saying is, we would take those amounts and quantities into account in formulating a program for the following year. But you are correct; the law provides for allocation, and it is our intention of following those provisions by allocating 70/30.

Senator CLARK. But you are prepared to say that you are willing to try to get a 70/30 split in a shipment, as well as the allocation?

Mr. MEAD. Yes, sir.

Senator CLARK. The other question, which the Chairman raised and Senator Dole raised that is still somewhat unclear to me in terms of your answer, is that you said $30 billion had been spent on a total commodity program Public Law 480 program. Are you subtracting the repayments which have occurred from that, or was that just the gross?

Mr. MEAD. Just the gross.

Senator CLARK. So it really did not cost $30 billion. We shipped $30 billion, we got part of it back. How much did we get back in dollar amounts that we really recovered?

Mr. MEAD. In actual dollars, about $1⅛ billion. There have been substantial uses of the foreign currency. Some are measurable, and some are not.

Senator CLARK. So of the $30 billion, we got about $1¼ billion back?

Mr. MEAD. In dollar credits.

Senator CLARK. In dollars, yes. And how would you evaluate the other credits that we got back?

Mr. MEAD. Well, CCC has been getting upwards of $300 million a year in foreign currencies used, and we could furnish for the record for you, Senator Clark, the value received for the foreign currencies.

[The following material was subsequently received for the record:]

Title I, Public Law 480

Dollar receipts to the Commodity Credit Corporation through sales of foreign currencies, cumulative through June 30, 1974	$2,997,996,779
July 1–December 31, 1975	+50,517,000
Cumulative through December 31, 1975	3,048,513,779

Senator CLARK. The other thing which would be helpful, if you could do it, is to see how much we have saved in terms of storage fees. We were at one time paying—the figure was, I believe, about $1 million a day just for storage. Now, I assume that we have saved part of that by the Public Law 480 program. But if we could get some accurate evaluation of what the program really costs, I think it would be really helpful.

Just a couple of other questions, if I have time. In your judgment, how competitive are the purchase procedures under both title I and title II? Are there certain companies which really benefit a great deal

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from these title I and title II purchases in a selective way, or do you think they are fully competitive and free?

Mr. BELL. It varies, Senator Clark, from commodity to commodity. It is our judgment that there has been competition on the purchase authorizations. There are times and commodities when we would prefer to have more competition, but overall, I think it has been satisfactory.

Senator CLARK. Could we have, for the record, just the figures of who has provided this food for us under title I and title II, just for the last few years?

Mr. BELL. I think so.

[The following material was subsequently received for the record:]

U.S. DEPARTMENT OF AGRICULTURE—COMMODITY CREDIT CORPORATION

LIST OF SUPPLIERS AND DOLLAR VALUE OF COMMODITIES EXPORTED AND FINANCED BY THE COMMODITY CREDIT CORPORATION UNDER TITLE I, PUBLIC LAW 480

[Fiscal years 1972, 1973, and 1974; in thousands of dollars]

Supplier	Amount financed		
	1972	1973	1974
Wheat and products:			
ADM Milling Co	169	1,723	1,291
Ataka America, Inc		1,227	4,616
Bunge Corp	8,517	7,344	1,282
Burrus Mills, Inc	2,516	908	
Cargill, Inc	49,260	27,536	20,314
C. B. Fox Co	6,453	8,763	2,417
Centennial Mills, Inc	204		
Continental Grain Co	50,166	21,887	4,714
Cook Industries, Inc	37,709	25,191	26,943
Dixie Portland Flour Mills, Inc	2,086		667
Fisher Flouring Mills Co	2,904	3,186	2,985
Garnac Grain Co	7,927	6,028	3,680
General Mills, Inc	55	301	
Goodpasture, Inc	2,615	433	
International Milling Co., Ltd	86		
International Multifoods Corp	706	844	
Kansas Milling Co	4,651		
Lauhoff Grain Co		212	
Louis Dreyfus Corp	14,216	38,255	26,875
Marubeni American Corp	10,550	2,376	
Mitsubishi International Corp	1,347	2,319	
Mitsui & Co., Ltd	2,186	3,544	1,551
Morton Milling Co	263		
Nichimen Co., Inc	3,863	2,448	
Nissho-Iwai American Corp			3,888
North Pacific Grain Growers, Inc	1,252		
Pacific International Grain Co		3,057	
Peavey Co	4,851	2,129	1,518
Peavey Co. Flour Mills	285		
Pillsbury Co	9,115	7,081	454
Producers Grain Corp	1,367	1,257	
Ross Industries, Inc	4,235	3,380	553
Royal Milling Co	5		
Rozel Packing Corp	3,025	850	
St. John International Inc	420		
Sumitomo Shoji America, Inc	9,039	4,579	
Toshoki America, Inc	1,081	1,294	
Toshoki, Ltd	899		
Toyomenka, Inc	1,723	3,676	458
United Grain Corp	593	8,886	929
Union Equity Coop. Exchange	18,395	4,751	3,261
Washburn Crosby Co	2		
West Coast Resources, Inc	11,676	8,287	
Wilcox Hayes Co		181	
Total	276,412	203,933	108,396

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U.S. DEPARTMENT OF AGRICULTURE—COMMODITY CREDIT CORPORATION—Continued

LIST OF SUPPLIERS AND DOLLAR VALUE OF COMMODITIES EXPORTED AND FINANCED BY THE COMMODITY CREDIT CORPORATION UNDER TITLE I, PUBLIC LAW 480—Continued

[Fiscal years 1972, 1973, and 1974; in thousands of dollars]

Supplier	Amount financed 1972	1973	1974
Feed grains and products:			
Bunge Corp	3,065	7,318	6,592
Cargill, Inc	14,396	16,239	350
C. B. Fox Co	273		414
Continental Grain Co	9,133	12,482	
Cook Industries, Inc	7,651	8,545	10,848
Farmers Export Co	509	1,989	
Garnac Grain Co	1,187	3,482	5,049
Goodpasture, Inc	1,226	2,114	
I. S. Joseph, Inc			298
Krause Milling Co			151
Lauhoff Grain Co			167
Louis Dreyfus Corp	3,868	5,604	4,124
Marubeni America Corp	10,956	10,626	863
Marubeni, Inc	1,667		
Mitsubishi International Corp	2,266	1,192	1,293
Mitsui & Co., Ltd	575	745	
Nichimen Co., Inc	1,166		789
Peavey Co	1,421		
Producers Grain Corp	5,602	3,012	2,861
Sumitomo Shoji America, Inc	611		
Tabor & Co			2,240
Toyomenka, Inc	564		
Union Equity Coop. Exchange		2,316	
West Coast Resources, Inc	783	252	
Total	66,919	75,916	36,039
Cotton and products:			
Adolph Hanslik Cotton Co	488	341	
A. Lassberg Co	214	297	
Allenberg Cotton Co	6,031	4,483	576
Allen Gardner & Scott, Inc	433	256	
A. L. Poundey Co	288		
American Cotton Coop. Association	559	6,465	8,044
Anderson Clayton & Co	4,617	5,223	3,194
Atcot Corp	435	130	
Barnett Cotton Co		262	
Blacksburg Mills, Inc	162	36	
Bleeker & Co			431
Berson Frye & Co	185		
Calcot, Ltd	6,192	9,929	2,776
C. Itoh Co. America, Inc	2,575	2,838	311
Clarence L. Myers & Co., Inc	123		
Columbia Cotton Co	2	98	
Cook Export Corp	1,507	6,365	1,395
Cook Industries, Inc	8,562	682	
Cotton Import & Export Co	921	1,474	
E. A. Shaw Cotton Co	113		
E. Philip Corp	219	182	1,686
Esteve Cotton Co	810	1,340	
Fisher Cotton Co	212	606	34
Frescot Cotton Co	47		
Galveston Export Co	73		
Gant & Cooley Cotton Co	284		
Gardner & Co	749	1,263	
Gardner & Sons, Inc		10	
Geo. H. McFadden Bros., Inc	1,496	1,504	
Globe Cotton Export Co	6		
Gulf Cotton Export Co		103	
Gurney Industries, Inc	568	787	786
Harwood Cotton Co	8		
H. Molsen & Co., Inc	4,980	3,877	
Hohenberg Bros. Co	9,898	12,327	1,653
James Lawrence & Co	364	483	590
Jess Smith & Sons	24		397
J. P. Stevens & Co., Inc	2,037	951	
J. R. Hancock Cotton Co	268	188	
J. R. Tindall Cotton Co	29		
Kanematsu-Gosho USA, Inc	156	42	
Kanematsu New York, Inc		128	
Katy Trading Co	82		
Lone Star Cotton Co	66		
L. P. Muller & Co., Inc	457	1,338	2,846

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U.S. DEPARTMENT OF AGRICULTURE—COMMODITY CREDIT CORPORATION—Continued

LIST OF SUPPLIERS AND DOLLAR VALUE OF COMMODITIES EXPORTED AND FINANCED BY THE COMMODITY CREDIT CORPORATION UNDER TITLE I, PUBLIC LAW 480—Continued

[Fiscal years 1972, 1973, and 1974; in thousands of dollars]

Supplier	Amount financed 1972	1973	1974
Cotton and products—Continued			
Marubeni America Corp		152	
Marubeni Cotton Corp	336	68	
Marubeni Iida Cotton Co	175		
Mikulenka & Co., Inc	185	4	4
M. Lowenstein & Sons, Inc	223		
National Cotton Co	27		
Nissho-Iwai American Corp	1,960	2,290	572
Oklahoma Cotton Coop. Association			88
Overseas Trading Co			937
Pan American Cotton Co	73		
Pearce Gardner Cotton Co		10	
Perfection Spinning Co	243	86	
Plains Cotton Coop. Association	7,311	6,897	3,088
Plains Cotton Enterprises, Inc	279	425	
Powers & Co		41	
Ralli Coney, Inc		152	
Reinhart Co	78	223	
R. G. McClung Cotton Co., Inc	336	199	
R. L. Dixon Bros	1,046	676	
Roundtree Cotton Co., Inc	7		
R. S. Tapp Co	653	1,615	233
Schwabach, Kempner, Perutz, Inc	1,628	1,552	
Southwestern Irrigated Cotton Growers Association	2,010	5,422	
Southwest Textile, Inc	665	659	526
Staple Cotton Coop. Association	1,252	1,111	
Starke Taylor Son	87	840	374
Star-Tex Trading Co	736		
States Cotton Co		125	
Sumitomo Shoji America, Inc		711	
S. Y. West Co	588	387	
Textures, Inc			746
Toyo Cotton Co	577	2,219	81
Toyoda New York, Inc	4	46	
Turner Halsey Co., Inc	2,683	808	398
United States Commodity Co	28	406	
Vandenburgh Co., Inc		21	
Volkart Bros., Inc	176	263	
W. B. Dunavant & Co	3,563	6,334	2,244
Weil Bros	50		
Weil Bros. Cotton, Inc	4,101	5,184	4,006
Western Cotton Co	121		
Western Cotton Export Co	448		
Williams Cotton Co	143		
Total	88,032	102,932	38,016
Rice:			
Cargill, Inc			31,023
Connell Rise & Sugar Co., Inc	68,697	140,441	169,691
Continental Grain Co	54,214	64,694	103,694
Garnac Grain Co			570
Pacific International Rice Milk, Inc			2,384
P & S Rice Mills, Inc			2,704
Producers Rice Mills, Inc		348	
Riceland Foods	1,464	3,498	
Rozel Packing Corp			829
United Rice Growers & Millers			6,409
Woodward & Dickerson	3,468		
Total	127,843	208,981	317,304
Vegetable oil products:			
Amato International, Inc	1,235	893	396
Anderson Clayton Co	456		596
Archer Daniels Midland Co		954	565
Balfour MacLaine Inc		512	224
Bunge Corp	11,201	3,802	9,395
Cargill, Inc	12,270	4,074	6,924
Continental Grain Co	22,188	10,287	10,032
Cook Industries, Inc	2,280		4,449
Garnac Grain Co	509		
I. S. Joseph Co., Inc	598		
Mitsubishi International Corp		9,047	

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U.S. DEPARTMENT OF AGRICULTURE—COMMODITY CREDIT CORPORATION—Continued

LIST OF SUPPLIERS AND DOLLAR VALUE OF COMMODITIES EXPORTED AND FINANCED BY THE COMMODITY CREDIT CORPORATION UNDER TITLE I, PUBLIC LAW 480—Continued

[Fiscal years 1972, 1973, and 1974; in thousands of dollars]

Supplier	Amount financed		
	1972	1973	1974
Vegetable oil products—Continued			
Mitsui & Co., U.S.A., Inc	110		
Pacific Molasses Co	917		
Pasternak Baum & Co., Inc		174	
Riceland Focds			2,746
Wilbur Ellis Co	1,983	2,087	863
Total	53,747	31,830	36,190
Tobacco:			
A. C. Monk & Co		373	1,551
American Tobacco Co	15	14	
British American Tobacco Co., Ltd	17,917	20,216	17,077
Brown & Williamson	217	183	
Carolina Leaf Tobacco Co		444	1,441
China American Tobacco Co	135	654	1,818
Coastal Leaf Tobacco Co., Inc			378
Dibrell Bros., Inc	433	373	379
Export Leaf Tobacco Co			347
Falls City Tobacco Co		361	353
Gold Leaf Tobacco Co., Inc	507		
G. R. Garrett Co	93	246	344
Hail & Cotton	689	603	256
James I. Miller Tobacco Co., Inc	49	987	698
Larus & Bro. Co	6	275	
Liggett & Myers Inc	108	78	17
Marlin Zimmer McGill	43		
Philip Morris, Inc	629	262	
Piedmont Leaf Tobacco Co	116	422	339
P. Lorillard Pan American, Inc	24	52	
R. J. Reynolds Tobacco Co	183	351	
S. Henrichasen & Co		19	
Austin Co., Inc	919	1,075	1,571
Thorpe & Ricks, Inc	166	267	832
Universal Leaf Tobacco Co	715	756	936
Virginia Tobacco Co	213		
W. A. Adams Co., Inc		388	1,496
Total	23,177	28,399	29,833
Milk, dried and condensed:			
Getz Bros. & Co	3,950	928	
International Dairy Engineering Co	4,684	593	
Nestle Trading Corp	1,118		
Twin Peaks Milk Prod., Inc	2,492		
Total	12,244	1,521	
Tallow:			
I. S. Joseph Co., Inc	247	88	
Jacob Stern & Sons, Inc		120	
Total	247	208	

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LIST OF SUPPLIERS AND DOLLAR VALUE OF COMMODITIES PURCHASED AND EXPORTED BY THE COMMODITY CREDIT CORPORATION UNDER TITLE II, PUBLIC LAW 480

[Fiscal years 1972, and 1973, 1974; in thousands of dollars]

Supplier	Amount financed		
	1972	1973	1974
Wheat and products:			
Acme Evans Milling	261		46
ADM Milling	13,606	17,275	23,328
Bay State Milling	4,458	4,974	1,808
Buehler Mills, Inc	414	175	
Bunge Corp	6,373	1,687	
Burros Mills	5,141	3,923	
California Milling	3,337	5,767	4,240
Cargill, Inc	8,084	12,455	7,093
Central Soya Co., Inc	900		
Cereal Food Processors			2,185
Colorado Milling	215		
Conagra	10,164	11,540	5,156
Continental Grain Co	3,040	5,000	
Continental Mills, Inc	1,848	2,096	2,483
Cook Industries, Inc	4,925	8,279	
Dixie Portland Flour Mills	343	140	
Far-Mar Co	3,037		
Farmers Export	19		
Fisher Mills, Inc	12,024	23,113	24,335
Garvey Elevator		167	
General Foods Corp	3,918	4,860	1,293
General Mills, Inc	75	67	
Hopkinsville Milling Co	30	31	27
Hubbard Milling Co	505	876	687
Independent Mills, Inc	1,756	2,520	5,142
Indiana Grain	1,506	3,999	
International Multifoods, Inc	4,186	5,636	7,835
Lauhoff Grain Co	10,933	9,717	9,969
Leger Mills	1,375	270	
Louis Dreyfus Corp	541	482	
Mayflower Mills	281	86	
Midwestern Grain		737	
North Pacific Grain Growers	3,974	1,248	
Okeene Milling Co		149	793
Peavey Co	431	190	1,357
Pillsbury Co	6,465	2,068	7,025
Producers Grain Corp	1,875		
Ross Industries	8,781	10,955	11,020
Salina Terminal		689	
Seaboard Allied Milling Co	324		
Shawnee Milling	680	858	2,687
Spokane Flour Mills	30		
Stockton Elevator		124	
Terminal Flour Mills Co	1,109	2,337	2,872
Tidewater Grain Co	366		
Union Equity Coop. Exchange	1,739	5,792	
United Grain Corp	2,517		
United Grain Growers		2,194	
Whitewater Four Mills		70	224
Wichita Flour Mills	142	1,636	441
Wm. Kelly Milling Co	4,017		
Total	135,745	154,282	122,046
Feed grains and products:			
Cargill, Inc			5,970
Conagra	367	538	73
Continental Grain Co			9,023
Cook Industries, Inc			1,087
Fruen Milling	575	669	385
Goodpasture Export Corp			847
Humphreys Mills	152	197	177
Illinois Cereal	1,194	990	1,924
Krause Milling Co			1,818
La Crosse Milling Co	130	144	700
Lauhoff Grain Co	1,066	2,280	5,316
Louis Dreyfus Corp			2,308
National Oats Co	306	358	
Quaker Oats Co	1,045	2,489	1,405
Shawnee Milling	207	155	442
Total	5,042	7,820	31,475

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LIST OF SUPPLIERS AND DOLLAR VALUE OF COMMODITIES PURCHASED AND EXPORTED BY THE COMMODITY CREDIT CORPORATION UNDER TITLE II, PUBLIC LAW 480—Continued

[Fiscal years 1972, and 1973, 1974; in thousands of dollars]

Supplier	Amount financed		
	1972	1973	1974
Milled rice:			
Connell Rice	19,180	324	
Continental	4,752		
Total	23,932	324	
Soya flour:			
Archer-Daniels Midland Co	2,344	54	428
Lauhoff Grain Co	29		
Total	2,373	54	428
Blended foods:			
ADM Milling Co	215		170
Foremost Foods Co			85
Harpers Green Valley Farms			43
Krause Milling Co	17,973	23,483	17,721
Lauhoff Grain Co	21,869	25,485	16,597
Land O'Lakes Inc			35
Total	40,057	48,968	34,651
Vegetable oil products:			
A. E. Staley Manufacturing Co	446	878	
Alotun Corp	222		
Anderson Clayton Foods	29		
Archer Daniel Midland Co	8,143	1,317	
Bunge Corp	1,174		
Cal-Western Packaging Corp		713	1,314
Cargill, Inc	3,099	765	245
Cook Industries, Inc	1,743		
Hunt Wesson Foods, Inc	2,132	1,503	
Nut-Ola Food Products Co	3,867		769
Riceland Foods	30,996	28,449	32,079
Theobald Industries		17	
Total	51,851	33,642	34,407

Senator CLARK. Do you feel that shipping is highly competitive, and do we get the best bargain possible? Are there bids?

Mr. MEAD. I think I would give the same answer that Mr. Bell gave for commodities; that under the shipping, there is reasonable competition. You have to bear in mind that under title II, the purchasing and most of the shipping is done by the department.

Senator CLARK. Yes.

Mr. MEAD. And there is a better handle on administering that end of the program. On the title I side, we work through the countries, and certainly do encourage wider competition. We encourage public tenders, and in some commodities we prescribe public tenders, so that there is an open and competitive bidding system.

Senator. CLARK. I would like to discuss the question the Chairman and Senator Dole raised, the issue of the return on dollars. I have often wondered, not knowing a great deal about the details, whether we would be better off, having grant programs rather than loan programs, since we get such a low return on title I. Under title II we would have some control over where that food goes and how it is used.

Now, we turn title I food over to South Vietnam, Korea, or any other country—Bangladesh or India—and we lose virtually all control over it, because it belongs to them. We give them credit to buy it on certain conditions, while, it seems to me, under title II, food tends to get to hungry people. Perhaps I am wrong, but I would be interested in your comments.

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Mr. BELL. We talked about this at the World Food Conference, Senator Clark, and you will recall the discussion one morning in the delegation meeting. There, we talked about the merits of title II versus title I in getting at the needs of hungry people, and with the help of Senator Humphrey that morning, I think that we made a pretty persuasive case that, in periods of much famine and starvation or near-starvation, that the title I can be a very effective tool, and that you can move larger quantities, and you can do it faster.

Senator DOLE. Title I or title II?

Mr. BELL. Title I; and in many cases in the past, we have actually used title I for that purpose, really for the straight humanitarian role. For example, in India in the late sixties, that was almost entirely title I. I don't think we should assume that the benefits of the concessional financing are just lost. There are programs which, perhaps, can be better explained by the AID people, when they testify, than us, on how the development programs are related to Public Law 480. I think it is a mistake just to say that it is lost to us. We get some indirect benefits, which are fairly important.

Senator CLARK. If you could provide some of those for the committee, I think that would be helpful to us*

Mr. MEAD. I would like to add, Senator Clark, that in some of these countries, title I commodities go through ration shops, so that it is directed to the low-income people.

Senator CLARK. Let me clarify, for the record, that that question is not whether title I ought to all be transferred to title II, but whether title I itself should be a grant program. In that way we would have better control over it, rather than if it were a loan program—that ends up a grant program.

Mr. BELL. I understood the question. You were saying that perhaps we should consider making title I a straight grant program, rather than using the concessional financing tool. I think there are some benefits that we get out of the concessional financing component which I would try to lay out for you.

The CHAIRMAN. Senator Young?

Senator YOUNG. Are you restricted or limited in any way by the White House, the Treasury Department, or any other part of Government, in quantity of exports sales that you can make say for wheat or cotton? Do you have to get clearance before you can make a dollar sale?

Mr. BELL. I think you must be talking, Senator, about the monitoring program for commercial export sales that we have in effect now, which is a different problem than the one that we are dealing with today, but a bit related. There is—as you know, we do have an export monitoring system set up on a voluntary basis, where we are asking export firms to prior clear with the Department of Agriculture sales of a certain size of wheat, soybean, soybean meal, and corn. We recently raised the amounts on which you had to get prior clearance for soybeans, soybean meal, and wheat. In fact, at the present time, we are almost on a purely free-trading basis, in that 85 percent of the sales are less than 100,000 tons, which is now the prior clearance requirement for wheat and soybeans and meal.

*The material requested by Senator Clark will be discussed in detail by the Agency for International Development, U.S. Department of State, before the Subcommittee on Foreign Agricultural Policy, of the Committee on Agriculture and Forestry, April 17, 1975.

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There is a committee which is set up to review special problems within the administration regarding the monitoring. This involves people from the State Department, the Treasury Department, and several of the White House offices. This is primarily concerned with problems which might arise from a State trading buyer perhaps buying more than we think that they need to. They might be buying it for stock-building purposes in a time of tight supply. But, in the final analysis, we in the Department of Agriculture give the clearances.

Senator YOUNG. When you speak of carryover of wheat, you expect a carryover of between 200 million and 300 million bushels at the present time.

Mr. BELL. I think it will be at least 250 million bushels, if not more. At the present time, I see no reason why we actually have to have prior clearances at all in the cases of wheat, soybean, or soybean meal.

Senator YOUNG. You still have some restrictions.

Mr. BELL. We still have some. Our original strategy was to move out of it gradually, but I think as time goes on, in the case of wheat and soybeans and meal, that we have reached the stage where it is no longer needed at all. Perhaps it still is, in the case of corn and other coarse grains.

Senator YOUNG. I thank you.

The CHAIRMAN. Senator Dole.

Senator DOLE. Why do you not get rid of it, then?

Mr. BELL. I hope that we will, shortly.

Senator DOLE. I think that the President said in Topeka last week, for all practical purposes it was not in effect. It would be more helpful if they would say that officially.

The CHAIRMAN. Senator Stone?

Senator STONE. What steps do you take to insure that the recipients know that the food came from the United States under grant or title I? What markings are there on the final packages and the like?

Mr. MEAD. On the title II grants, there is marking on the packages that it is a gift of the United States. On the title I, there is a requirement to publicize that this is U.S. food aid.

Senator STONE. I would like to ask you a few questions on a calendar-year basis. Some of these reports are on a fiscal year basis. Do you have any on a calendar-year basis?

Mr. MEAD. Not with us. But we could provide them for the record, if you would like.

Senator STONE. All right, then. Let me talk about fiscal year, but let me ask you to supply me the calendar-year equivalents. Would you do that?

Mr. MEAD. All right.

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[The following material was subsequently received for the record:]

PUBLIC LAW 480—ASSISTANCE TO MID-EASTERN COUNTRIES, FISCAL AND CALENDAR YEARS 1974 AND 1975

[In thousands of dollars] [1]

Type of year and country	Title I	Title II	Total
1. Shipments—Fiscal year 1974:			
Israel	$29,124	$127	$29,251
Egypt		3,249	3,249
Jordan	7,087	1,124	8,211
Jordan—West bank		851	851
Total	36,211	5,351	41,562
2. Shipments—1st half fiscal year 1975:			
Israel			
Egypt	18,693	3,228	21,921
Jordan		1,701	1,701
Jordan—West bank		284	284
Total	18,693	5,213	23,906
3. Shipments—Calendar year 1974 (preliminary):			
Israel	546	127	673
Egypt	18,693	6,185	24,878
Jordan	3,338	2,627	5,965
Jordan—West bank		961	961
Total	22,577	9,900	32,477
4. Title I sales agreements signed through Feb. 28, 1975 for fiscal year 1975 delivery:			
Israel	9,000		
Egypt	64,000		
Jordan	3,600		
Total	76,600		

[1] Export market value.

Senator STONE. How much actual assistance total under 480 was actually delivered to the Mideast countries during fiscal 1974?

Mr. MEAD. I think that I have a list of the country amounts.

Senator STONE. Could you give it to us?

Mr. MEAD. Yes.

Senator STONE. Actual, not estimates?

Mr. MEAD. Provided for the record, Senator?

Senator STONE. You have not any of it with you? Give me two or three; for example, Egypt, Jordan, and Israel.

Mr. MEAD. If you do not mind going on, I will try to find it. I think I may have to supply it for the record, Senator.

Mr. BELL. We may not have it with us, Senator.

Senator STONE. Do you have any actual delivery amounts with you, besides the 1973 fiscal year?

Mr. MEAD. We have 1974 by commodity and by country. We could supply it for the record.

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Senator YOUNG. Are these the figures you have in your tables here?

Senator DOLE. That is 1975.

Senator STONE. I have last year's figures, the equivalent hearing to this, of April 4, 1974; and I have estimates here and proposals for the estimate for 1974, the proposal for 1975. But I do not seem to have any actuals.

Mr. MEAD. By country?

Senator STONE. By country.

Mr. BELL. We do not.

Mr. MEAD. I have title I here. In 1974——

Senator STONE. What is it?

Mr. MEAD. According to this record, which is a little different than what you have, this represents about $570 million in 1974, for title I.

Senator YOUNG. For whom?

Mr. MEAD. For a whole range of countries. You were interested in the Middle East. I can go down this list if you want, Senator.

Senator STONE. Just give me the three that I have asked about. For example, Egypt, Jordan, and Israel.

Mr. MEAD. Egypt is none. Jordan is $6½ million, and Israel is $27.8 million.

Senator STONE. That is actual deliveries?

Mr. MEAD. These come off of financial records of our fiscal department, which is equivalent to shipments during that year, Senator.

Senator STONE. And you will supply us with the calendar-year equivalents of actual delivery?

Mr. MEAD. For Mideast countries under title I?

Senator STONE. That is right.

Mr. MEAD. Yes, sir.

Senator STONE. How much has the administration signed for fiscal year 1974 and 1975 in the Mideast countries?

Mr. MEAD. That is in the table attached to Mr. Bell's statement, Senator.

Senator STONE. All right.

According to that table, you show that you have signed $9 million for Israel, whereas according to the April 4 testimony of Mr. Bell and Mr. Parker before this committee, it shows $39.5 million for fiscal year 1974, and $26.4 million for fiscal year 1975. What is the plan there?

Mr. MEAD. Whose testimony was that on $26.5 million, sir? It was not our testimony. It must have been——

Senator STONE. These are the tables submitted by you.

Mr. MEAD. By us? That sounds like, Senator, the congressional presentation that is required of the AID agency, which indicates a projection of shipments of programing, and that could very well have been $26 million for Israel. But that is a projection as of that time. I do not think that it was intended to be a precise programing.

Senator STONE. Well, what is the programing?

Mr. MEAD. For Israel?

Senator STONE. For Egypt, for Israel, in 1974 and 1975.

Mr. MEAD. Well, I gave you the shipments.

Senator STONE. No, you did not.

Mr. MEAD. Yes, I did.

Senator STONE. Would you give me the programing of what is planned to be shipped for 1974 and 1975? You are going to supply us

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with the actual shipments of calendar year, and you gave me title I. You did not give me title II, and you did not give it by the three countries that I asked. And I am asking, what is the plan?

Mr. MEAD. For the whole year, sir?

Senator STONE. Two whole years, 1974 and 1975; Egypt, Israel, and let us ask for Jordan, too.

Mr. MEAD. We can give you that for 1974. Our table here indicates that program for 1975 so far.

Senator STONE. Would you kindly tell us, into the record, what is your plan for fiscal year 1974 and fiscal year 1975 for those countries?

Mr. BELL. Well, Senator, he has explained to you the numbers for fiscal 1974, and for fiscal 1975 it is in the table that, at the present time, we intend to program $64 million for Egypt, $3.6 million for Jordan, and $9 million for Israel; and there is $22.5 million for Syria.

Senator STONE. What is the plan for the fiscal year 1974?

Mr. MEAD. 1975?

Senator STONE. That was 1974?

Mr. BELL. That was what we have done thus far in fiscal 1975, and the program——

Senator STONE. You will have to excuse me. I am a first-term freshman, and I want to get it by years. Now, tell me 1974, and then tell me 1975, and please do not refer me to the tables. Just read it, or tell me.

Mr. MEAD. We do not have 1974 with us, Senator. We will supply it for the record.

Senator STONE. You do not know what the plan was for 1974?

Mr. MEAD. We have an actual for 1974. I have already given you what has been shipped under title I.

Senator STONE. Let me try again. How much is the Government planning to grant for fiscal year 1974 and for fiscal year 1975 to those three countries? Can you tell me that?

Mr. BELL. First of all, Senator, fiscal 1974 has ended. It ended on June 30, 1974, and the numbers which Mr. Mead has read to you supplied that data. We are now in the middle of fiscal 1975. We have told you what we have done to date. We have not, at this stage, completed our plans for fiscal 1975, which ends on June 30, 1975.

Senator STONE. And you have no plans completed for this current year that we are 6 months into? You have not completed your plans? You do not know what the plan is?

Mr. BELL. No. They are constantly under review. They change from day to day, depending upon what the weather is in certain countries, and what else happens. We never are able to stay on a program through the entire year.

Senator STONE. Mr. Bell.

Mr. BELL. Yes, sir?

Senator STONE. Now according to the figures here the program for Egypt went from zero to $54 million, and Israel from $26 million to $9 million. Is that right?

Mr. BELL. Yes, sir.

Senator STONE. Is that same direction going to continue in this current year?

Mr. BELL. I would say that we have tended to peak in terms of the aid for the Middle East thus far. That was in the early part of the year. You have to recall, Senator, that until recently we did not have

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a Public Law 480 program with Egypt because there was a restriction in the law which prohibited us from doing this. That recently was changed by resumption of diplomatic relations and we have been able to have some programs again with Egypt. That is one of the reasons why you have an increase which shows up.

The other point is that you are dealing with much larger countries and much larger economies in the case of Egypt and Syria than you are in the case of Israel.

Senator STONE. Do you plan to increase any more aid to Egypt or have you peaked? Do you now plan to increase aid to Israel or have you peaked for this year?

Mr. BELL. Well, I think that in the case of Egypt we still may do some more; in the case of Israel——

Mr. MEAD. I am not sure.

Mr. BELL. We are not sure yet.

The CHAIRMAN. I am sorry, Senator Stone. Your time has expired.

Mr. Bell, in order that we might get a complete overall bird's-eye view of this program to date, can you submit, for the record, beginning with the enactment of Public Law 480, a country-by-country breakdown of total sales, total grants, and the status of the repayment of each country?

Mr. BELL. Yes, we can.

The CHAIRMAN. To date?

Mr. BELL. Yes.

[The following material was subsequently received for the record:]

Country	Title I					TITLE II—CCC investment, Value of donations
	Foreign currency: Deposits required [1]	Long term credit				
		Amounts disbursed	Value of payments received			
			Principal	Interest	Total	
Aden						169
Afghanistan	994	20,492	2,076	1,334	3,410	96,621
Algeria		11,585	5,213	2,456	7,669	155,556
Antigua						821
Argentina	30,558					
Austria	42,391					48,761
Bahama Islands						294
Bangladesh		56,082		303	303	139,673
Barbados						261
Belgian Congo						165
Belgium						194
Bolivia	37,126	39,903	7,052	2,407	9,459	47,771
Botswana						10,633
Brazil	503,433	135,648	38,086	17,239	55,325	284,747
British Honduras						3,054
British Solomon Island						794
Burma	47,954					7,760
Burundi						3,979
Cambodia (Khmer Representative)	9,073	251,672	80,049	826	80,875	2,848
Cameroon Representative						1,771
Central African Representative						1,009
Chad						6,833
Chile	85,246	73,761	27,518	6,346	33,864	126,211
China (Taiwan)	257,253	46,046	24,137	7,600	31,737	119,756
Colombia	66,226	49,648	10,666	3,726	14,392	154,502
Congo (Brazzaville)						2,029
Costa Rica						11,223
Cuba						6,753
Cyprus	2,096					17,980
Czechoslovakia						1,995
Dahomey						4,985
Dominica						1,482
Dominican Republic		59,392	11,949	4,618	16,567	73,432

See footnote at end of table.

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Country	Title I: Foreign currency: Deposits required [1]	Title I: Long term credit: Amounts disbursed	Value of payments received: Principal	Value of payments received: Interest	Value of payments received: Total	TITLE II—CCC investment, Value of donations
		2,628	968	374	1,342	
r	11,530	19,503	4,638	1,301	5,939	33,186
	798,593	35,132	2,532	3,493	6,025	186,557
ador		649	649	84	733	23,526
a	843	5,649	2,508	868	3,376	25,635
						252
	43,009					2,160
	35,697					10,576
Africa						6
West Africa						239
Guiana						93
West Indies						74
						479
						3,969
						17,069
y East						759
y	1,197					100,699
	36,564	30,227		2,153	2,153	19,585
						601
	127,822	26,772	15,147	4,753	19,900	135,089
a						957
upe						592
ala		990	666	168	834	29,808
	30,734	28,760	134	1,338	1,472	4,820
		761	133	63	196	3,249
						5,874
as						12,969
ong						43,169
y						13,575
	16,299	9,072	4,336	1,530	5,866	
	4,081,577	423,760		38,552	38,552	779,810
sia	292,013	676,339	30,071	52,883	82,954	85,991
	61,084	64,168	20,474	11,729	32,203	48,356
		13,504	8,100	919	9,019	8,634
	334,237	276,024	37,609	22,128	59,737	26,152
	144,258					340,241
oast	3,126	5,775	3,064	779	3,343	3,920
a		1,256	219	107	326	26,341
	146,556					62,264
	5,883	20,142	2,229	993	3,222	85,671
		12,972	7,525	1,526	9,051	18,658
	778,701	460,331	71,406	24,718	96,124	401,616
						14,987
n		12,336	1,879	834	2,713	25,247
)						15,930
		4,368	1,255	507	1,762	5,350
						32,900
						5,219
say Republic						5,569
						932
ia						13,750
	580					25,517
						7,768
que						551
nia						12,245
us						8,316
	28,185					52,527
rrat						261
o	65,348	86,151	12,489	7,149	19,638	281,676
						8,430
ands	254					(1)
ua						14,784
						25,163
						42,131
Borneo						478
n	1,302,721	293,304	4,093	16,284	20,377	170,069
a						14,415
ay	15,961	10,740	2,505	1,077	3,582	13,600
	39,949	1,765	1,412	575	1,987	84,235
ines	53,314	87,844	18,227	6,757	24,984	191,680
	521,907					76,816
d	7,082	51,079	25,964	5,354	31,318	52,277
l-Sahel						3,293
a						8,917
Urandi						2,936
l						4,826

footnote at end of table.

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County	Title I: Foreign currency: Deposits required [1]	Title I: Long term credit: Amounts disbursed	Long term credit: Value of payments received: Principal	Value of payments received: Interest	Value of payments received: Total	TITLE II—CCC investment, Value of donations
Ryukyu Islands		8,925	4,172	664	4,836	35,438
Sarawak						1,391
Senegal	3,293					24,698
Seychelles						536
Sierra Leone		2,572	681	295	976	12,599
Singapore						2,585
Somaliland French						586
Somali Republic		652	120	57	183	5,436
Southern Yemen						457
Spain	487,354	8,708	8,288	1,943	10,231	190,625
Sri Lanka (Ceylon)	31,480	77,503	5,627	6,192	11,819	66,403
St. Helena						107
St. Kitts						840
St. Lucia						619
St. Vincent						608
Sudan	26,442	4,659		46	46	5,791
Surinam						1,377
Swaziland						1,416
Syria	34,901	383	344	18	362	27,134
Tanzania						35,233
Thailand	4,302	12,720	1,258	138	1,396	5,864
Togo						7,182
Tonga Islands						763
Trinidad and Tobago						1,346
Tunisia	90,126	74,879	8,613	5,723	14,336	214,294
Turkey	501,425	78,839	24,206	5,122	29,328	126,913
Turks and Caicos Islands						93
Uganda						2,144
United Kingdom	48,540					123
Upper Volta						19,448
Uruguay	36,180	32,059	5,478	2,935	8,413	8,433
Venezuela						26,081
Vietnam	894,690	408,145	386,140	741	386,881	220,974
Virgin Islands						48
Yemen						15,739
Yemen (PDRY)						457
Yugoslavia	622,832	347,210	197,891	78,346	276,237	242,527
Zaire	84,981	34,627	9,222	3,921	13,143	35,442
Zambia						488
UNICEF						19,750
UNRWA						174,976
American voluntary relief agencies and international organizations						9,554
Total	12,931,050	4,498,111	1,139,024	361,992	1,501,016	6,666,537

[1] All foreign currencies required as payment for shipments under local currency sales agreements have been deposited. No further deposits are due the United States under these agreements.

The CHAIRMAN. Any further questions?

Senator DOLE. Yes.

The CHAIRMAN. Senator Dole.

Senator DOLE. Last Sunday evening, I believe, on "60 Minutes," the television show, it showed a group of people sitting around a table about this size determining where the food aid would go in the world. I did not realize it was done that way. Were you there?

Mr. MEAD. Yes, sir.

Mr. BELL. He was in the picture.

Senator DOLE. I apolcgize. You looked very good on TV.

[General laughter.]

Senator DOLE. But who was on that committee? I just did not realize it was done that way. Do you actually make the determination and it is not subject to review by anyone?

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Mr. MEAD. It is subject to review in case there is an issue. The Interagency Staff Committee on P.L. 480 has been the operational committee ever since the law was enacted.

Senator DOLE. How often do you meet then?

Mr. MEAD. Traditionally every Thursday at Agriculture.

Senator DOLE. And do you actually decide at that session, if something is to be committed under both title I and title II?

Mr. MEAD. Yes, sir. There is a subcommittee on title II that reports to the main committee. There is no subcommittee under title I. It is the main day-to-day staff group that either decides or makes recommendations. In the last couple of years with the need to reconcile higher prices and shortages with high priority foreign policy programs, there have been a number of issues that go in some cases all the way to the President. But that is the basic staff agency.

Senator DOLE. I could not recall first that the committee existed, and secondly who was on it. So it might be helpful—I guess it was in the law—but there seemed to be several people whom I did not recognize.

Mr. MEAD. Some of them may be here. But Agriculture chairs it, AID, State, Commerce, Treasury, OMB, and Defense are the six agencies.

Senator DOLE. Do you all have an equal vote?

Mr. MEAD. This may surprise you, Senator, but that committee has operated for 20 years on a concensus principle.

Senator DOLE. How many people are on it?

Mr. MEAD. There are about six agencies, but it moves on a concensus.

Senator DOLE. Do you just have a show of hands, so many for India, so many for Guatemala?

Mr. MEAD. Actually we do it country by country. It is a formal way of setting the record straight on positions of the agencies. But——

Senator DOLE. Are records kept of those meetings? Minutes?

Mr. MEAD. Yes, sir. Summary minutes.

Senator DOLE. Are they made public?

Mr. MEAD. No, sir.

Senator DOLE. Why not?

Mr. MEAD. Well——

Mr. BELL. I would think, Senator Dole, there would be some meetings where there would be issues of diplomatic relations with the countries involved, and security issues.

Mr. MEAD. And really, they are not that well described. The basic decisions are documented in country files.

Senator DOLE. You do not make a recording then?

Mr. MEAD. No, sir.

[General laughter.]

Senator DOLE. We can be thankful for that.

Well, that is interesting.

[General laughter.]

Senator DOLE. We may want to pursue that more later on, but it shows that it pays to watch television.

The CHAIRMAN. Senator Clark.

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Senator CLARK. Do not conclude from that that those are not political decisions.

Senator DOLE. I did not recognize anyone there, so I assumed that they were all honest people.

[General laughter.]

The CHAIRMAN. Any further questions?

Thank you gentlemen. We appreciate, very much, your cooperation.

The next witness is the Honorable Daniel Parker, Administrator, Agency for International Development, U.S. Department of State.

If you desire, you may insert your full statement in the record, Mr. Parker, and summarize it.

STATEMENT OF HON. DANIEL PARKER, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT, U.S. DEPARTMENT OF STATE

Mr. PARKER. Mr. Chairman and members of the committee, I am accompanied on my immediate right by Mr. Andy Mair who is the coordinator for the food-for-peace program, and to his right by Mr. Alexander Shakow, who is Deptuy Assistant Administrator for Program and Policy Coordination of the Agency for International Development. I am pleased to have a chance to appear before you today to discuss the world's current food/population imbalance and the relationship of food aid and other forms of economic assistance to that imbalance.

Some, perhaps some before this committee, feel that we face a major human disaster—the inevitable outcome of Malthus' theory that human populations must finally outstrip the ability of the land to support them and that only mass starvation can provide an equilibrium between people and food. I do not believe that the situation is so grave as that, and the Agency for International Development does not believe that the situation is so grave as that.

To invoke the ghost of Malthus has become a popular rhetorical technique of late. Doomsayers theorize of triage and tell us the pressure of ever expanding population will soon exceed the world's carrying capacity, and that our numbers and dietary habits will inevitably and perhaps soon outrun the world's ability to produce adequate food for all.

We share the sense of urgency of those who are concerned over food shortages in many developing countries, widespread malnutrition, and meager world grain reserves. But we do not share their pessimism nor their oversimplified picture of the problem and the options available to us. We believe the processes of steady and continuous application of resources, knowledge, and dedicated intellect effectively combined have not suddenly lost their ability to alleviate problems. These human assets have almost always combined to yield greater than conservatively predictable results; this recently has been more so and in the future will accelerate attainments well beyond specific, conservative prediction.

Historically as population grew, food needs were met by expanding the area in production. Increased output of staple grains and of more varied, higher protein foods reflected both increased numbers of people and rising incomes and tastes. But specialization and com-

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tons of food aid annually; and (3) increased food reserves through a system of nationally held, but internationally coordinated, food stocks, so as to provide adequate supplies in periods of production shortfall.

Pursuit of this strategy will significantly, and I believe beneficially, affect domestic U.S. agriculture. Assessments of the world food problem prepared for the World Food Conference indicate that import requirements for cereals of the developing countries alone may rise from 25 to 85 million tons a year by 1985. To meet this increased demand for food will require maximum agricultural production in the United States, in other developed countries, and in the developing countries themselves. If the U.S. strategy for improving world food security is successful, U.S. farmers will benefit from increased demand for their output in the short run. In the long run, U.S. agriculture will not be forced to marginal and environmentally disruptive patterns of land use by the world's continuously expanding demand for food.

As Administrator of the Agency for International Development, I would like to discuss two of the U.S. programs which I feel can contribute to a resolution of the current world food problem—economic assistance to redress the food/production imbalance in the developing countries and food aid.

The Agency for International Development's economic assistance program, impelled by the congressional initiatives of 1973, is aimed at providing the developing countries with the technical and financial capacity to expand per capita agricultural production. Congress has recognized that the unrealized productive capacity of small farmers offers the best opportunity for increasing agricultural production in the developing countries, and AID is in the process of focusing its program to assist small farmers and the rural poor. We will propose a fiscal year 1976 program of economic assistance for food production, rural development, and improved nutrition of approximately $680 million, an increase of almost $375 million over the actual fiscal year 1974 program. This increase is enabled by a combination of a supplement to the FAA and substantial reallocation of previously appropriated funds.

The fiscal year 1976 good and nutrition program will support six purposes of development: (1) increasing and diversifying agricultural production through research and improved farm inputs; (2) strengthening local institutions and cooperative societies to involve the poor majority in development; (3) integrating agricultural, industrial and commercial development so that advance in one spurs the others; (4) improving nutrition; (5) localizing infrastructure so that the poor majority have access to roads, better land, and water; and (6) increasing employment and improving income distribution. In addition, AID is providing family planning advice and services to over 35 developing countries in an effort to minimize the pressure on world food demand. Realistically we recognize that the effects of AID's program and of the efforts of the developing countries themselves will not be realized immediately.

In the interim, there is no doubt of the continuing need for a major U.S. food aid program. Food aid is one of the most important components of U.S. economic assistance, and the President has recently announced that during fiscal year 1975 the United States will make

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available agricultural commodities valued at $1,470 million to needy developing countries.

Food aid is interim assistance which must be linked with longer range solutions to increase food production and lower population growth. It provides developing countries with a margin of assistance which permits them to allocate resources for food production; but, to be most effective, it should be linked with other forms of technical and financial assistance. We have long viewed food aid, other than for emergency/disaster relief programs, as development assistance; and self-help measures on Public Law 480 agreements require that local currency generated from title I food aid be used to increase agricultural production in the recipient country.

The World Food Conference recommended that 10 million tons of food aid be made available to developing nations on a global basis, each year. The United States will be meeting with other donor nations to agree to a formula for making this assistance available. Other food exporting countries and those countries able to contribute financial support for food aid will be expected to accept a substantial portion of the 10 million ton target. However, whatever the size of the U.S. contribution, it will be important for the United States to be able to guarantee our share.

Current Public Law 480 legislation makes food aid a residual after assuring that domestic requirements, adequate carryover stocks and anticipated commercial exports are met. In tight supply situations, such as fiscal year 1974, the program has been reduced drastically. Final program decisions and shipments have been delayed. Recipients face long periods of uncertainty and the emergency food aid and development impact of Public Law 480 is reduced. The administration and Senator Humphrey have proposed an amendment which would enable the Secretary of Agriculture to determine that some part of exportable supply should be used to carry out the national interest and humanitarian objectives of the Public Law 480 Act. This would give legislative recognition to the need to ship food aid for priority programs even in times to tight supply.

In summary, I believe that the current U.S. approach offers real prospects for improved world food security. For the poorer developing countries, maximum efforts must be made to increase their agricultural production and food stocks. As I indicated above, this will require external financial and technical assistance and is the heart of our foreign economic assistance program. Continued U.S. food aid will be required to respond to emergency needs and as an incentive to self-help measures in recipient countries. In addition, the United States, must continue to support, in cooperation with other nations efforts to insure sufficient reserves to provide a margin of safety against future world food shortages. I am confident that this approach will lead to a compassionate solution of the current world food problem and will contribute to the supreme interest of U.S. foreign policy, a peaceful and stable world.

In addition, the United States must continue to support, in cooperation with other nations, efforts to insure sufficient reserves to provide a margin of safety against future world food shortages. I am confident that this approach will lead to a compassionate solution of the current world food problem and will continue to the supreme interest of U.S. foreign policy, a peaceful and stable world.

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Mr. Chairman, my colleagues and I would be pleased to attempt to answer any questions that you and your colleagues have.

Senator CLARK [presiding]. I have a number of questions.

You emphasize in your statement that the first priority ought to be self-sufficiency. The first priority in development is not just food assistance, but helping countries achieve self-sufficiency.

Can you explain how AID does that now? In what sense do we really help other countries? I am asking about the specifics of development—rural road systems, irrigation, land tenure, all of the things that would make a country more self-sufficient.

Mr. PARKER. Mr. Chairman, this is obviously a very complex subject, and this is at the heart of the AID programs, to recognize that the solutions may be individual solutions to very complex problems. In doing so we work intimately with the local governments because they, in fact, do know their countries better than any outsider.

We encourage them to develop their own ability to plan and we assist them in the planning, identifying the various components of the sectors that can be developed and improved to yield greater agricultural production and, as well, greater utilization of the people.

Most of these countries are substantially rural in population and related to agriculture. I could go into much more specific detail if you would like.

Senator CLARK. Let me ask something related to that.

Do you think that food aid ought to be tied to development aid and, if so, in what way. Should we use food aid as leverage for development, and if not, why?

Mr. PARKER. It is related in that each Public Law 480 agreement does contain a provision which calls for the utilization of the counterpart funds. I am talking about title I funds. Proceeds accruing to the recipient government from the in-country sale of the commodities are used by that government in conjunction with their own development strategies and plans and specifically, if at all possible, in their own agricultural development.

Senator CLARK. Now I know that that is required by law, but is that really followed?

Do we follow up or ever threaten to cut off aid on the basis of not doing that?

Is there evidence of compliance?

Mr. PARKER. Included within the President's annual report on Public Law 480 is a summary each year on compliance.

Now, I could answer you technically and yet probably not answer the question you have in mind. It is a question, frankly, I have in mind, too.

This incidentally is a question which I have raised earlier within the agency, so I do not have answers. I am still in the condition of being an objective seeker of information on it. Some years back, as I understand it, the counterpart funds generated by title I sales were deposited into segregated accounts and disbursed from those accounts for mutually agreed upon uses.

Senator CLARK. Is that no longer done?

Mr. PARKER. No. It was discontinued several years ago and I believe for some rather practical reasons. Too many people in each AID

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mission were involved in the accounting and the overseeing of this particular part of the program. I think the pendulum then swung possibly the other way. This is the area on which I am trying to focus now.

Senator CLARK. So you really are not sure to what degree these funds are accumulated as a result of the sale of food under title I and then used for development?

Mr. PARKER. I could generally say, Mr. Chairman, that we are satisfied that there is a constructive use of these funds. It would vary country by country as to just how relevant and how effective these are.

Now we point out that under the provision of the Foreign Assistance Act which we are not discussing today, there is the requirement that the local government finance at least 25 percent of the projects that AID undertakes.

Senator CLARK. Let me ask whether you would rather see a tighter tie of that aid. Some people say it is too tight now, that we put too many restrictions on aid. Others say it is not tight enough. Do we give food aid without assurances of development by the recipient nations?

Just in terms of a trend, do you think we are about right, requiring too much or not enough restrictions?

Mr. PARKER. On the assumption that you accept that I am just looking into it and have not come to any conclusions. However, as a preliminary reaction, I would say that I would be inclined to tighten up the relationship a bit more. Mr. Mair, I think, wanted to comment.

STATEMENT OF ANDREW J. MAIR, COORDINATOR, FOOD FOR PEACE, AGENCY FOR INTERNATIONAL DEVELOPMENT, U.S. DEPARTMENT OF STATE

Mr. MAIR. Yes, in answering this, if you write an agreement with a country, say Pakistan, and you generate $10 million and then you specify in that agreement that these funds will be used for improving storage, for drilling wells, for certain specific things. Basically that is how it has been done and is the procedure followed.

Now, maybe it could tighten it up.

Senator CLARK. What do you think of that?

Do you have any evidence for it?

Mr. MAIR. Yes. The missions in the field report to us the use of funds and these can be changed.

Senator CLARK. I see.

Mr. MAIR. If something happens and they need to shift this, there are places where the emphasis is shifted with our agreement, but basically the countries do what they have agreed to do within the title I agreement.

Now if a flood comes along there may be some shift, and we make these changes. But basically most of the countries have done a good job of doing what they said they would do.

Senator CLARK. Let me ask about the so-called "tied aid" and private trade credit sales agreements. If we agree that development is a necessary primary goal, and you have said it is, yet we know there are certain agreements tied to aid, where they cannot sell it to another country, and so forth.

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As I understand it, under our "tied aid" agreements we require certain transactions. For example, I think at one point we required India to buy fertilizer in order to get food. And we have other kinds of "tied aid" agreements. Can you describe how they work and whether they have been successful or unsuccessful?

Mr. PARKER. Well, Mr. Chairman, aid is being untied, generally, if we are using the same expression, of a required reciprocity. Aid is being untied.

Senator CLARK. We are making no requirements of that kind demanding that India do certain things in return for getting this food aid?

Mr. PARKER. That is generally correct, although I do want to clarify that point.

There are certain policies that direct us wherever possible, to purchase goods and services with appropriated funds, within the United States and developing countries. The authority has been delegated to me to make exceptions to this policy where it is in the U.S. interest.

Senator CLARK. I think it would be best for us if you could provide for the record the examples of "tied aid" we have in existence now, or let's say, just in the last 5 years.

In other words, I would be interested in knowing whether we really require or have required at some point in the past, that India buy fertilizer, and if so, who they buy it from.

Have we said you have to buy fertilizer from us in order to get the food aid?

Could we have some examples of that for the record?

Who keeps those records?

Does AID keep that kind of record, or Agriculture?

STATEMENT OF ALEXANDER SHAKOW, DEPUTY ASSISTANT ADMINISTRATOR FOR POLICY AND PROGRAM, AGENCY FOR INTERNATIONAL DEVELOPMENT, U.S. DEPARTMENT OF STATE

Mr. SHAKOW. I am not familiar with that kind of provision at all. I think that Mr. Parker has been talking about the provision of AID assistance to finance fertilizer which involves certain kinds of requirements on the recipient government.

Senator CLARK. What are those?

Mr. SHAKOW. Each loan that is made by AID has various provisions in it, including some which suggest that the purchases need to be made in the United States.

Senator CLARK. Those are the ones we would like a record of in the record.

Mr. SHAKOW. The standard AID loan provisions are available, but they are separate from the provisions of Public Law 480, of food aid; there is not, at the moment, any legal connection between the two.

Senator CLARK. That is the question. If you could supply those it would help us.

[The following material was subsequently received for the record:]

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AID Loans' Special Provisions

Each loan that is made by AID has various provisions in it, including some which suggest that the purchases need to be made in the United States. The following examples are excerpts from the loan authorizations.

Arab Republic of Egypt: Loan No. 263-K-026; Program Loan, $80,000,000.

"Other Terms and Conditions. . . . (a) Unless AID otherwise agrees in writing, commodities and related services financed under the Loan shall have their source and origin in the United States of America."

Syrian Arab Republic: Loan No. 276-J-007; Agriculture Inputs and Production Loan, $20,000,000.

"Other Terms and Conditions. . . . (a) Unless AID otherwise agrees in writing, commodities and related services financed under the Loan shall have their source and origin in the United States of America. However, the policy against financing local port charges set forth in M.O. 1414.9 will not be applied."

Bangladesh: Loan No. 388-T-003; Ashuganj Fertilizer Project, $30,000,000.

"Other Terms and Conditions. . . . (c) Unless AID otherwise approves in writing, procurement of goods and services financed under the loan shall be from the United States or other Code 941 countries."

Laos: Loan No. 439-W-001; Nam Ngum II—Hydroelectric Power Project, $5,000,000.

"Other Terms and Conditions. . . . (b) The proceeds of the loan, or an equivalent amount from other contributions to the project, shall be utilized for the procurement of goods and services from the United States, less a reasonable amount in relation to other nations' contributions to cover local currency costs."

Afghanistan: Loan No. 306-W-108; Kajakai Hydroelectric Power Plant, $7,500,000.

"Other Terms and Conditions. . . . (b) Unless AID otherwise approves in writing, procurement of construction services shall be from the United States (Code 000) and procurement of goods and related services shall be from Code 941 couptries."

Bolivia: Loan No. 511-T-053; Agricultural Sector Loan, $9,200,000.

"Other Terms and Conditions. . . . (c) Prior to the first disbursement or the issuance of any commitment documents under the Loan, Borrower shall submit to AID, in form and substance satisfactory to AID;

(i) Evidence of a budgetary plan which, during the life of the Project, increases the agriculture sector budget to levels adequate to provide for salary increases of existing personnel, hiring of new personnel, AID program counterpart requirements, program operations and larger allocations to field activities of direct benefit to small farmers;

(ii) Evidence of agreements between the MACAG and the decentralized public institutions, including the NCDS and BAB, and the Universitities of Cochabamba and Santa Cruz which set forth their respective roles, responsibilities, and contributions to the Project;

(iii) Evidence of a Supreme Decree establishing a separate supervised credit fund withiu the BAB for the benefit of the small farmers of the Project area; and

(iv) Evidence of the design and establishment of an adequate system of accounting, budgeting, and auditing procedures within the MACAG."

Chile: Loan No. 513-T-065; Agricultural Cooperative Development Loan, 15,000,000.

"Other Terms and Conditions. . . . (d) Prior to the first disbursement or the issuance of any commitment documents under the loan, Borrower shall submit to AID in form and substance satisfactory to AID:

"1. a detailed loan implementation plan for the first year of the project which shall include *inter alia:*

"(*a*) targets for institutional development,

"(*b*) a projected staffing plan and time table for the Borrower, and

"(*c*) eligibility criteria for loan selection;

"2. guidelines for contract formats to be used in making Feasibility studies to be financed with Project funds; and

"3. evidence of arrangements with the Government which will permit the borrower to capitalize up to $5,000,000 of the Loan for purposes of determining the lending limit of the Borrower.

"(e) Prior to the first disbursement or the issuance of any commitment documents under the Loan for other than technical assistance, Borrower shall submit

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to AID in form and substance satisfactory to AID, evidence that Borrower had adequately staffed the Planning, the Project Study and the Technical Assistance Sections of its Development Department.

"(f) Prior to any disbursement or the issuance of any commitment documents under the Loan for each sub-loan under the Project, Borrower shall certify to AID in form and substance satisfactory to AID that an adequate feasibility study has been performed for such sub-loan.

"(g) Borrower shall covenant and agree that in making sub-loans with Project funds, it shall give particular emphasis and attention to increasing the income and productivity of the small farmer."

Columbia: Loan No. 514-W-074; Small and Medium Industry Development, $5,000,000.

"Other Terms and Conditions. . . . (b) United States dollars utilized under the Loan to finance local currency costs shall be made available pursuant to procedures satisfactory to AID.

"(c) As a condition precedent to disbursement to the Popular Finance Corporation for technology transfer activities it will submit to AID for approval an organizational scheme and work plan for such technology transfer activities."

Honduras: Loan No. 522-T-026, 522-V-027, 522-W-028.

Hurricane rural reconstruction and recovery:

Farm credit and grain marketing	$12, 500, 000
Primary school reconstruction	1, 500, 000
Rural shelter reconstruction	1, 000, 000

"Other Terms and Conditions . . . . (c) Prior to the first disbursement or the issuance of any commitment documents under the Loan for the Farm Credit Activity, Borrower shall submit to AID in form and substance satisfactory to AID:

(a) A time-phased implementation plan giving priority in the use of resources to hurricane affected areas and describing the policies and procedures governing and the use of resources (including administrative, technical, and financial) to be allocated to the Activity.

(b) A standard agricultural credit loan agreement between the BNF and credit recipients that shall include *inter-alia:*

(i) Provision for the sale of the collateralized grain crop to the BNF at a price sufficient to constitute an incentive for the production of grains.

(ii) Provision for the reduction of delinquent loan balances due to the BNF from previous production credits.

(d) Prior to the first disbursement or the issuance of any commitment documents under the loan for the Grain Marketing Activity, Borrower shall submit to AID in form and substance satisfactory to AID a plan for grain buying operations including pricing policies to be adopted in carrying out the Activity during calendar year 1975.

(e) Prior to the first disbursement or the issuance of any commitment document under the loan for the Primary School Reconstruction Activity, Borrower shall submit to AID in form and substance satisfactory to AID:

(a) An agreement with CARE providing for CARE's role in the execution of the Activity.

(b) A time-phased plan for the implementation of the Activity.

(f) Prior to the first disbursement or the issuance of any commitment document under the Loan for the Rural Shelter Reconstruction Activity, for other than Technical Assistance, Borrower shall submit to AID in form and substance satisfactory to AID: A time-phased plan for implementation of the Activity, including the policies and procedures to govern sublending pursuant to this activity."

Senator CLARK. Let me pursue this issue as it relates to private trade credit sales. It is my understanding, for example, that in Jamaica a cornmeal processing plant is being built under a private trade sales agreement.

Are you familiar with that?

Mr. SHAKOW. I know that there are such agreements, but I do not know about that particular private trade agreement.

Senator CLARK. I would appreciate examples. I understand there are 16 private trade credit sales agreements.

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Mr. MAIR. Yes, there is one for Korea, there is one for Iran. But these are basically handled by the Department of Agriculture. We will see that you get the information.

For instance, the one in Korea is a port facility type of thing, so we will ask the USDA to provide this information.

[The following information was subsequently received for the record:]

PUBLIC LAW 480, TITLE I PRIVATE TRADE ENTITY AGREEMENTS

PTA No.	Value of agreement [1]	Date signed	Country receiving commodity	Company signed with	Ownership nationality
1	$750,000	Dec. 31, 1964	Iran	Perisan Gas Distribution C	Iranian, Lebanonese.
2	3,000,000	do	do	Bank of Development and Rural Cooperative.	Iranian.
3	35,000,000	Jan. 14, 1965	Spain	Cooperative Espanola de Comercializacion del Campo.	Spanish.
4	1,700,000	Nov. 4, 1965	Canary Islands	Refinceria Aceitera Canaria, SA.	Do.
5	3,000,000	Nov. 15, 1965	Taiwan	Taiwan Development Corp	Taiwanese, United States.
6	2,000,000	Feb. 24, 1967	Iran	Pars Cotton Ginning & Oil Mill Corp.	Iranian.
7	1,500,000	June 22, 1967	Korea	Purina Korea, Inc	United States, Korean.
8	4,600,000	Oct. 25, 1967	Chile	Fonaine y Salva, Sociedad, Ano ima Commercial Casilla.	Chilian.
9	1,100,000	Nov. 2, 1967	Guatemala	Productos Alimenticios Agropecuarios, Soicedae, Amonima.	Guatemalian.
10	34,700,000	Mar. 1, 1967	Iran	Bank of Development & Rural Cooperatives (Bank Omran).	Iranian.
11	2,000,000	Nov. 5, 1968	Korea	Korean Livestock Development Co., Ltd.	Korean, United States.
12	1,900,000	do	do	Nambang & Berger Corp	Do.
13	1,900,000	June 31, 1969	do	Korea-Cargill Co	Do.
14	2,250,000	Mar. 1, 1971	do	Seoul City Livestock Cooperative.	Korean.
15	820,500	Nov. 2, 1971	Jamaica	Jamaica Grain & Cereals, Ltd	Jamaican, United States.
16	8,400,000	May 5, 1972	Korea	Korea Silo Co	Korean, United States.

[1] Value of agreement signed. In some cases, the agreements were not implemented or fully implemented.

Mr. SHAKOW. There is a provision within the act that describes this as one of the alternative uses of Public Law 480. There are relatively few, I think, in the history of the program, 16 may very well be the total from the beginning of the program.

Senator CLARK. My time is up, but we would like the facts.

Does Ralston-Purina own the one in Korea?

Mr. MAIR. I think it is a joint venture of several companies. Ralston-Purina has an interest, but I think it is a rather minor interest.

Senator CLARK. If we could have reports on those agreements and which company owns the agreement it would be helpful.

Senator Dole.

Senator DOLE. For the record and to refresh my recollection, does your money come from the Public Law 480 authorization, or do you get your money somewhere else?

Mr. PARKER. We get it from the Foreign Assistance Act. Our role in Public Law 480 is in assessing the needs and in participation in its administration and then Mr. Mair is the coordinator of the food-for-peace program.

Senator DOLE. What is your budget for fiscal 1975, then?

Mr. MAIR. We have a budget recently raised that would go to $1.47 billion of commodities and $150 million freight; it is a part of the Department of Agriculture budget, and the Department of Agriculture

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authorizes the commodities and we negotiate with Agriculture where it should go, how much and through what program. We handle the foreign side.

Senator DOLE. That is what I wondered. So, in effect, you do work closely with the USDA?

Mr. MAIR. Very closely.

Senator DOLE. And it is in effect from their budget?

Mr. MAIR. Yes, sir, that is right.

Senator DOLE. Do you have any additional funds?

Mr. MAIR. No. That is what the Administrator was talking about. We try to coordinate them. It is very important that if you have a development aid program going in a country and you have also food aid, that you tie these together to maximize the good that both programs can do.*

Senator DOLE. Have you ever had any failures in any of your projects?

Mr. MAIR. I am certain we could find some if we looked.

Senator DOLE. I have been reading about a couple in the paper—a cattle project and a rice project, birth control or something. I do not want to get into that because it is before you came on board. But do you get a little congressional pressure from different Members of Congress wanting to start little cattle projects or things of that kind?

Mr. PARKER. I think that surely the Members of Congress exhibit interest, and they do communicate them to us. But the ultimate decisions are ones that we have to live with.

Senator DOLE. Who makes that decision?

You do not have another committee?

Mr. PARKER. Oh, no. This is a matter of administrative judgment.

Senator DOLE. But AID makes that or in cooperation with the USDA or——

Mr. MAIR. I do not believe that the projects you are referring to are Public Law 480 project funds. Those are Foreign Assistance Act funds. They are not Public Law 480.

Senator DOLE. It is Government money, taxpayers; excuse me. There is no Government money. I am certain that you are aware of those projects and they do not directly relate to Public Law 480, but they indicate why there is some skepticism about the program. I do not suggest anything improper has happened, but you sometimes wonder as a Member of Congress if you can even write a letter suggesting something might be a good idea because someone may characterize that as an effort to improperly influence an AID official or someone else.

Mr. PARKER. Senator Dole, I would say this.

We get a lot of valuable ideas from the Members of Congress as passed on from their constituents. I do not consider it improper. You know, there is an old adage that says there is no such thing as an indiscreet question. There are only indiscreet answers. So if the suggestion is conveyed in a good interest, we will consider it. We do not necessarily have to do it, if, in our judgment, it is either improper or, more frequently, not related to our priorities.

Senator DOLE. And you would not be misguided in judgment because that Member happened to be an influential Member of the

* See p. 802.

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Foreign Relations Committee or the Appropriations Committee or the House or Senate Agriculture Committee. That has no bearing on it?

Mr. PARKER. Not in the vital judgment as to whether it is an appropriate thing to use taxpayers' money for.

Senator DOLE. That is the way I hope it is working, and I am suggesting that it does. But there are those who raise questions.

Now in reference to the 1976 authority, we will propose a fiscal 1976 program of economic assistance for food production rural development and improved nutrition; $680 million, an increase of almost $375 million. Where do those funds come from?

Mr. PARKER. From the Foreign Assistance Act.

Senator DOLE. And that is the one point——

Mr. PARKER. At the present time we are in the unique position of having the authorization passed but the appropriations bill has not passed, and with the adjournment of the 93d Congress the appropriation bill died with it. So we have had to restart the legislative process for fiscal 1975.

Senator DOLE. What would happen to your agency if there is no foreign aid bill passed?

Mr. PARKER. It has been passed. We are on a continuing resolution authority for apporpriations at the present time.

Senator DOLE. But if we do not extend that or do something this year, say there is just no foreign aid, whether it is continuing resolution, new authorization, or whatever, what happens to your agency?

Mr. PARKER. It would collapse under those conditions.

Senator DOLE. How many people would that affect?

Mr. PARKER. Well, we have been reducing employment worldwide, and we are down now to approximately 9,000. This does not include a number of people who are hired under contract mainly from U.S. land-grant colleges and State universities, which can rise as high as between 4,000 and 5,000 at any given time. These are the people who are working both here and in the field.

Senator DOLE. The only reason I mention that is I think that there is at least a glimpse of that happening, the possibility of that happening this year, and I do not know what you would do about it. A lot of people think it would be a good idea, not because of the personalities here, but because of the program which they look upon as a total waste of money when we are having problems of our own.

Mr. PARKER. Senator Dole, if I may say so, I made reference in my statement to the Foreign Assistant Act of 1973 which did in fact undertake a new direction. These components of the Foreign Assistance Act I think are very broadly, warmly, and enthusiastically, supported recognizing that there is a true interdependence amongst people. Now again, to put it into perspective, I would point out that when the Foreign Assistance Act of 1973 was passed in December of 1973, there had not been an aid bill passed for 2½ years. I interpret this as a rekindling of interest in the kind of development assistance programs we are undertaking.

Senator DOLE. Regarding the development assistance portions of the act——

Mr. MAIR. The program would have to be administered by the Department of State and the embassies, and to the extent that we

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have them, agricultural attachés in the various countries. This has been taken over by our agency because this was the best vehicle to use. We have people in the field. We have people with direct operating contact with various parts of the Government at all times. That is why this program has developed over the years as it has. I guess what I was suggesting is that if it comes to the point where there would be no aid, there will have to be some merger of some sort

We are, in effect, in the same business, dealing with the same constituencies, and coordinating the program.

Senator DOLE. But you are having great difficulty, and they are having little if any.

Mr. PARKER. It is a matter of degree and judgment, Senator Dole. I think that the development assistance portions of the Foreign Assistance Act have a rather broad and genuine constituency in this Congress, and I think that these have in fact been more supported by Members in both bodies.

Senator DOLE. I do not suggest that. I suggest that this portion of whatever foreign assistance may be, might be easily sold to the Congress or accepted by the Congress if you could somehow get away from the rest of it, and I am not suggesting that there is not some waste in this program, and I am sure that there may be in Public Law 480, and Senator Humphrey has indicated that he is going to do some very heavy oversight operations on all of these programs.

It is just a reality which I am certain you recognize.

Mr. PARKER. Indeed. I work with it earnestly, sir.

Senator DOLE. Good luck.

I have nothing further.

Senator CLARK. I have a few questions.

Is it possible that in response to the 30/70-percent amounts amendment passed in the December aid bill, restricting the amount of food aid that goes to countries not listed under the United Nations "most severely affected" list, we are increasing AID assistance loans to compensate for loss of food aid?

Mr. PARKER. Again, I cannot give you a simple, direct answer. My impression is no. In the process of budgeting we receive recommendations from our field missions about projects to be undertaken in those countries during these fiscal years. These are then reviewed by us in Washington. We have to scale down to fit within the OMB budget level.

Now, if the world worked in the perfect way, we would have our authorization and appropriation in time to undertake those programs. As usually happens, we slip over into the next fiscal year, and then the levels are adjusted because the conditions require it. Within 30 days after the passage of the final appropriation bill, we must submit what is known as an operational year budget, which reflects then the current status of things.

Senator CLARK. What I am really suggesting, Mr. Parker, is that the State Department is not particularly happy about the 30-percent restriction on the amount of food that can go to so-called nonneedy nations or those nations not listed on the U.N. list. I think that this is

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clear—and Mr. Enders will be here in a moment and we can talk to him about this.

I am asking whether the Agency for International Development has been asked to increase aid to countries like Korea and Egypt to make up for the loss of food aid.

Mr. PARKER. No; and we are programing in these countries only as we see viable and appropriate programs.

Senator CLARK. There has been no great increase and will not be a great increase in Egypt or Korea or similar countries?

Mr. PARKER. I would have to review them, specifically. Taking Korea as an example, I do not remember the exact number, but our intention is to phase Korea out of economic assistance.

Senator CLARK. Development loan programs as well?

Mr. PARKER. Yes; and that means that we may in this year try to complete the funding for certain projects that are an integral part of the program, so you may see a slight upsurge, but the true fact is that we are trying to phase a country like that out.

Senator CLARK. I have a few additional questions.

I know that AID places a very high importance on the nutritional value of food sent. Secretary Kissinger made a great point of that, and a very good one, at the Rome World Food Conference.

How do you think tobacco and cotton fit into that nutrition priority? Are these non-food products part of the nutrition program? Senator Hatfield—you may have been here during his comments—made this same point. What do you think of tobacco and cotton as a part of the food for peace program?

Mr. PARKER. I think under the provisions of Public Law 480, U.S. agriculture commodities, no matter what they are, can qualify, and, Mr. Chairman, putting this into perspective, this is an economic resource transfer program, in some ways. In that sense it is certainly proper.

Obviously, I would not classify tobacco or cotton fibers as food.

Senator CLARK. Is that a justifiable transfer of resources? Would not a lot of other things be? Would you like to see the program expanded into other nonfood opportunities?

Mr. PARKER. I think there are opportunities, yes, as a matter of fact.

Senator CLARK. Can you list some?

Mr. PARKER. I have seen many places where lumber, for example, is in very short supply, and could be very useful if a program like that were envisioned. I do not mean to take you off the track here, but to give an example, other non-agricultural products, the United States has abundant coal supplies, and when you look at the economies of some of the developing countries with whom we deal, their needs for energy might well be met by coal, for example.

Senator CLARK. It would not bother you to put these under the title, "food for peace", rather than creating a different program.

Mr. MAIR. The law restricts that. It is agricultural commodities.

Mr. PARKER. But I understood you to ask for other examples, and as I said, outside of food for peace.

Senator CLARK. Lumber would be an agricultural commodity, would it not?

Mr. MAIR. It is not so classified in the act.

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Senator CLARK. What about the congressional 70/30 percent restriction? There is some discussion about whether we ought to do that on a regular basis. Do you think we would have shipped more food to needy countries had we not had that amendment, or do you think we are going to ship more as a result of it?

Mr. PARKER. It is very hypothetical, Mr. Chairman.

Senator CLARK. Yes, but you had programs certainly, and so it is not totally hypothetical.

Mr. PARKER. Yes, that is correct. My own view is that it did not increase the amount that we would have sent to the MSAs, the so-called most seriously affected.

Senator CLARK. So you would have shipped just as much had we not put the restriction on?

Mr. PARKER. Yes, but I think the proportion might have been somewhat different, and the decisions might have been reached somewhat earlier.

Senator CLARK. Thank you.

Mr. PARKER. Thank you, and thank you, Senator Dole.

Senator DOLE. Thank you.

[The following questions were submitted by Senator Clark to Mr. Parker and his answers thereto:]

DEVELOPMENT LOANS TO NON-MSA COUNTRIES

Question. Mr. Mair testified that "it is very important that if you have a development aid program going in a country and you also have food aid, that you tie these together to maximize the good that most programs can do."

There is some concern that AID is presently giving or planning to give development loans to non-MSA countries which will be used for purchases of U.S. commodities on the open market. Such actions seem to defeat the purpose of both development loans which are geared toward long range growth as well as the 30/70 formula that stipulates food priority for humanitarian purposes.

In order to examine this issue objectively, would you kindly supply for the record, the development loans to non-MSA's agreed to before December and another list that includes those planned for the near future.

Answer. Yes, sir; we will provide them. I would like to emphasize, however, that all AID development loans are carefully designed in collaboration with recipient governments to support priority development objectives. Many of our programs do take place in non-MSA countries, but it is important to note how that list was derived. The MSA list includes those countries hardest hit by the adverse balance of payments impact of food, fuel and fertilizer inflation in the past year. But the non-MSAs include a large number of very poor developing nations in need of substantial external assistance. Our loans to these countries—MSA and non-MSA—support important development projects; no FY 1975 development loans are being used to finance foodstuffs or any other goods and services not directly related to priority development objectives. AID loans are entirely consistent with the general purpose of promoting long-range growth, including efforts in the agricultural sector especially directed toward increasing food production by small farmers. There is no conflict with the 30/70 PL 480 formula.

Following is a list of development loans made by the Agency for International Development in FY 1975 through December 31, 1974 to less developed countries that do not appear on the United Nations most recent list of Most Seriously Affected (MSA) countries.

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Loan authorizations, July 1, 1974–Dec. 31, 1974

	Dollars in millions
Africa: Zaire—Water transport improvement	0.6
Near East and South Asia: Afghanistan—Kajakai Hydroelectric Power Plant	2.0
East Asia:	
Korea—Irrigation Project (amendment)	6.5
Philippines:	
Rural Electrification	20.0
Rural Roads	15.0
Latin America:	
Bolivia:	
Agriculture sector	9.2
Basic foods production	8.0
Chile—IFICOOP Agricultural Cooperative Development	15.0
Colombia—Small and medium industry development	5.0
Nicaragua:	
Earthquake recovery low-cost housing	15.0
Managua urban reconstruction sector (amendment)	10.0
Paraguay—Small farmer development	4.7
Peru—Rural enterprises development	10.0

Following is a list of those development loans that were included in the FY 1975 Congressional Presentation to less developed countries not included on the United Nations list of Most Seriously Affected countries. These estimates were prepared over a year ago and the final disposition of the Agency's development loan funds will reflect numerous developments that have occurred since that time. This listing should therefore be considered as tentative and it will be revised substantially once the Congress has completed action on the FY 1975 appropriation.

Loan authorizations planned, Jan. 1, 1975–June 30, 1975

	Dollars in millions
Africa: Botswana—Northern abbatoir	5.0
Gabon—Feeder roads	5.0
Liberia—Integrated rural development	4.0
Near East and South Asia:	
Afghanistan—Rural works	8.0
Morocco:	
Triffa irrigation	5.0
Doukkala irrigation	8.0
Nepal:	
Agricultural inputs	1.4
Malaria control	1.6
Tunisia—Grain storage	3.0
Turkey:	
Rural development	15.5
Maize development and expansion	1.0
Development administration training	3.5
East Asia:	
Indonesia:	
Sederhana (small) irrigation facilities	21.0
Flood control and irrigation	9.0
Luwu regional development	10.0
Sulawesi road betterment	10.0
Rural sanitation	5.0
Surakarta municipal water supply	5.0
Korea:	
Irrigation facilities	19.0
Standards system development	5.0
Philippines:	
Rural electrification	20.0
Provincial water supply	5.0

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Loan authorizations planned, Jan. 1, 1975–June 30, 1975—Continued

	Dollars in millions
Latin America:	
Bolivia:	
Rural health delivery services	6.0
Rural education	6.0
Chile, nutrition	5.0
Colombia:	
Nutrition	5.0
Educational technology	10.0
Science and technology	5.0
Dominican Republic—Health sector	5.0
Guatemala—Agriculture sector	14.5
Jamaica—Agricultural sector	8.0
Nicaragua:	
Health sector	6.0
Reconstruction and deconcentration	20.0
Panama:	
Agricultural sector	11.0
Education sector	9.0
Paraguay—Swine production	2.5
Peru—Integrated agricultural development	11.0
East Caribbean regional (Barbados, Jamaica, Trinidad)—Regional education: University of the West Indies	5.0
Latin America regional—Agricultural Credit Union Development	4.5

Requirement for U.S. Commercial Purchases in Public Law 480, Title I Concessional Sales Agreements

Question. What percentage (over a five year period) of P.L. 480 concessional sales has been "tied" to purchase requirements of U.S. commodities?

Answer. For the last five Fiscal Years, FY's 1971–1975, approximately 8.9% of P.L. 480 Title I concessional sales agreements have required purchases of U.S. commodities. The totals by Fiscal Year are:

	Total title I program (millions)	Minimum U.S. purchase required (millions)	Percent of Public Law 480 commodities by dollar value
Fiscal year:[1]			
1971	$791.0	$94.7	12.0
1972	678.9	144.4	21.3
1973	667.3	65.3	9.8
1974	574.5	27.5	4.8
1975 (estimated)	[2] 1,109.0	[3] 10.0	.9
Total	3,820.7	341.9	8.9

[1] Based on actual fiscal year shipments from United States.
[2] Including carry-in.
[3] Based on signed agreements (some may not have been shipped).

Question. Would you describe what those agreements have entailed?

Answer. In some cases P.L. 480 Title I agreements require recipient countries to purchase specified amounts of U.S. agricultural commodities on a commercial basis from the United States. These are the minimum purchases required from the United States. Of course, purchases from the United States also count against an unspecified U.S. portion of a usual marketing requirement. The usual marketing requirement (UMR) reflects Subsection 103(c) of P.L. 480, which requires that reasonable precautions be taken to safeguard usual marketings of the United States and assure that the P.L. 480 sales will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries.

The general provisions of each P.L. 480 agreement include the language of Subsection 103(c). Where there is a history of commercial imports of the P.L. 480 commodity, a quantitative UMR is specified unless the financial condition of the

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country has deteriorated so that it could not finance its usual commercial purchases. Conversely, if the financial condition of a country warrants and there is an upward trend of commercial imports, the UMR could be increased. Under normal circumstances, the UMR is calculated by averaging (3-5 years) the amounts of the commodity(s) imported commercially from the United States and friendly countries. UMR's do not specify minimum purchases from the United States when (1) there is no normal or significant history of commercial trade with the United States, (2) where a specified purchase is not necessary to protect a U.S. market, or (3) in the case of wheat or wheat products, because as a result of various international grain arrangements, international wheat markets are open to the United States without prejudice. We reserve the right, however, to specify UMR's for the United States for wheat if they should be required in the future.

During negotiation of each P.L. 480 agreement, the recipient country is advised of Subsection 103(o) of P.L. 480, which requires that steps be taken to assure that the U.S. obtains a fair share of any increase in commercial purchases of agricultural commodities by the purchasing country.

Senator CLARK. The last witness this morning will be Mr. Thomas Enders, Assistant Secretary of State. We will take Mr. Enders' testimony and questions and then adjourn, probably at 1:00 o'clock and come back again at 2:00.

You may proceed in any way you think appropriate.

STATEMENT OF THOMAS O. ENDERS, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. ENDERS. Thank you, Mr. Chairman, very much, and let me introduce Mr. Robert Service, at my right, of my office, who is concerned with food matters.

If I may, Mr. Chairman, I would like to submit the prepared statement that I have for your record.

Senator CLARK. It will be included in the record.

Mr. ENDERS. Many of the points which I wish to make in this statement have been discussed by the witnesses and by the Senators beforehand. Let me say I very much appreciate being with you this morning.

In introducing my part of the testimony, I would like to put particular emphasis on the concept of food security as a concept that is broader than food aid, and relate food aid to it. It is pretty clear, Mr. Chairman, that although we have had major reserves, most of them in North America, up until a couple of years ago, that we are now down worldwide to pipeline levels of grain reserves and that any future shortfall in the availability of grains can only be adjusted to at the cost of some considerable hardship.

We have been looking at the statistical projections for this coming crop year and find that it looks like there might be a small surplus worldwide, which we hope for. But that will not put us back into a position where we consider the world food needs as being secure.

Senator Talmadge, in introducing this hearing, mentioned the World Food Conference projections. I think that they are, indeed, striking, because they show that the developing countries would have to accelerate their production of food from a current historically high average of 2½ percent a year to 3½ percent per year in order to prevent their import gap from growing from the current 25 million tons per year to as much as 85 million tons a year in 1985.

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Now, clearly, those are numbers that the developing countrie :ould not be expected to finance, and the donor countries could no)ossibly expect to cover by food aid.

SENATOR Dole. Mr. Enders, may I interrupt here?

Mr. ENDERS. Yes, sir.

Senator DOLE. I may have to leave before you finish. I read you ;tatement and I am interested in your comments on internationa 'ood reserves.

Now, as I understand it, that is still in the development stage There have been no guidelines set or amounts?

Mr. ENDERS. This much has been set forth, Senator, at the Worl Food Conference. There was a proposal put forward by the Unite States and generally agreed to by other countries that the worl hould have up to 60 million tons of grain reserves. Now, that i lefined as grain reserves above pipeline levels, above working stocl evels, and the figure of the precise target was not nailed down a hat conference. It would be a matter of negotiation.

Several concepts were put forward very clearly by Secretar Kissinger. One is that although the world's grain reserve has bee held in the past, largely by the United States, and to a lesse extent by Canada, that in the future grain reserves and the securit that results from them have to be the responsibility of all countries

The second is that in negotiating a system of reserves, we mus make sure that that system works in such a way as to assure real foo security to the developing countries. Now, there would be a numbe of important commercial implications from such a system of reserves and these we think have to be looked at very carefully indeed.

We have had a preliminary meeting with the major exporters an mporters, including the Soviet Union, in London, just a week ago and it looks now like we are moving toward a consensus on startin negotiating such an agreement.

Senator DOLE. Now, would it be your intention—or I might say can it be done without any authorization by the Congress? Do yo have that authority now to participate?

Mr. ENDERS. The United States has authority under the CC Act to hold reserves, and our anticipation would be that the degre and way in which the United States participates in such a progran would be governed by the authorities under that Act.

On the other hand, once we have a final agreement on how thi nternational network of nationally held grain reserves is going to b negotiated, we will come back down to the Congress and consul with all of the interested parties, including of course this committee

Senator DOLE. Right, and I assume when you talk about reserves you are talking about their use only for humanitarian purposes right? There would be no commercial sales?

Mr. ENDERS. No, sir. We think that it is almost impossible t separate the two in this sense. You want to make sure that, for example he developing countries can have physical access to the commoditie n an emergency, but you also want to make sure that the price doe not go through the ceiling, up to $8, $9, or $10 per bushel, as it coul f there were not also adequate reserves to support commercial flow throughout the world.

So we think that the two problems have to be related.

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Senator DOLE. Now, as a practical matter, would that replace Public Law 480 programs?

Mr. ENDERS. No, sir.

Senator DOLE. What assurance would there be that this would not replace it in the future, if a reserve were developed? Why not buy from the international reserve rather than negotiate?

Mr. ENDERS. As I say, it would be a network of nationally held reserves, and the United States has held, of course, very large reserves in the past. Our expectation is that these reserves would be held under the CCC authorities, would be in fact largely held by private individuals on a loan basis. The way in which they would be built up and released would be a matter of CCC policy.

On the other hand, we could ship no food aid to foreign countries without a Public Law 480 authorization and appropriation. In other words, somebody has to have the budgetary authority to buy the commodities and in the future food aid would be required and required in very much the same way it is required now.

On the other hand, such a reserve would insure that commodities were physically available and could be bought at prices which were not exorbitant in a tight situation.

Senator DOLE. Well, it occurs to me that there is probably much merit in this proposal.

Maybe from a selfish standpoint, representing a great number of farmers and being a member of the Committee on Agriculture with a broader constituency than my own State, you know there are those in agriculture and agribusiness that fear that what may be a proper price in some needy country might be a depressing price to our producer. It might back up in that fashion.

Mr. ENDERS. We are very sensitive to that, Senator. I think the system would have to be very carefully designed so as to avoid either the fact or the perception of depressing prices, and that is one of the concerns that has to go into the design of the system.

Now, in building up reserves, obviously world demand, and in particular demand for American products, would be greater than it otherwise would be. This results from the fact that we are the most competitive and the most dynamic producers. Once we have the reserve built up, then we have to make sure it is not used in the way that you suggest.

Senator DOLE. Right. It has been a long, smoldering—I would not suggest "argument," but "effort" to draft legislation on a domestic reserve. I do not really see this suggestion as being to any significant degree much different. How do you accomplish the purpose, the objective of the reserve without somehow affecting producer prices—you will have some difficulty with that when it comes to Congress, and I do not suggest hostility, but I think there will be great controversy.

Mr. ENDERS. We will talk to that fully so you see what our thinking is.

Senator DOLE. It is very difficult. I have been on a congressional Agriculture Committee for over 14 years, and every year we talk about a grain reserve. We have had different suggestions, but when we come down to making a determination, we have not developed one because of the fears that we think many well-motivated people have.

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Mr. ENDERS. We have been sensitive to those concerns, and appreciate that, Senator, but the things which have moved us to th are our experiences of the last 2 years. First, we ran out the wor reserves, largely held by us. Secondly, this last year, we have had have some substantial cuts in consumption, in order to balance sup and demand, including major liquidations of livestock in this count which have not been good for this country.

We have also had some cutbacks in consumption in develop countries in this year, in particular India, which are not good for th countries, and we have had some extraordinarily high food pri which I do not think even the farmers themselves think necessar are a desirable phenomenon.

Senator DOLE. I disagree with that.

Mr. ENDERS. You disagree with that?

[General laughter.]

Well, I wonder whether $6 or $7 wheat——

Senator DOLE. It has never gone that high. It has gone to $4.60-some, but now it is down to $3.50-some, and we get a lot of mail wondering why it is not going back up and why do we not get rid of Secretary Butz and everyone else who made the price go down, so you can understand the proper selfish interest which they have.

Mr. ENDERS. I think that is right.

Senator DOLE. Is there some way you could mix this reserve with a little Arab money in it too?

Mr. ENDERS. Our view is that other countries should bear their full burden of the reserve.

Senator DOLE. If they do not have the commodities, they should use their resources.

Mr. ENDERS. Most countries—Japan, for example—cannot produce the grain required for the reserve. They will have to buy in the world market, particularly from us, and it will be their money.

Senator DOLE. But it will be a commodity. In other words, they will expend their money to buy the commodity, which then goes in the reserve, and they will control that reserve.

Mr. ENDERS. They will control that reserve, naturally, as we will control ours.

Senator DOLE. And it could be purchased from us and stored by them.

Mr. ENDERS. It could also be physically located in the United States—that is another option—and owned by foreigners.

[General laughter.]

Mr. ENDERS. We will be back to talk about this in detail.

Senator CLARK. Before you go on, let me say that my reasoning on this is different. I favor a grain reserve and I think Senator Dole does not support one on a national level—even though it would be very difficult to get a domestic grain reserve passed out of this committee or the House Agriculture Committee or on the floor.

It is interesting that the Secretary of Agriculture and, I assume, the administration, is opposed to a domestic grain reserve. They always have been, and as far as I know, they have not changed their position yet they are in favor of an international grain reserve.

Mr. ENDERS. Or an international network of national grain reserves.

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Senator CLARK. But the Administration is against the domestic grain reserve, is that not correct?

Mr. ENDERS. I believe that is right, sir.

Senator DOLE. I think it is a different concept, though.

Senator CLARK. It is a very different concept, but I just wanted to set the record straight on what that was. The Secretary of Agriculture, in Rome, described the world food reserve—and I would like to have you correct me if I am wrong—not as a reserve that we set aside from the market or in any way set aside for a period of emergency. We are simply going to say that that grain held by Continental, Cargill, and Ralston Purina, and all the private companies is our grain reserve. Is that correct?

Mr. ENDERS. All stocks held in the country would be accounted in computing the grain reserve, and you would subtract from that a calculation of what is required as working stocks, in order to get you through a normal crop cycle, and to make sure that there are not spot shortages anywhere in the country.

Now, how that reserve is held would be a matter to be determined, but our initial thinking is that it could, as I mentioned earlier, be held under the existing provisions of the CCC Act, and that CCC policy determinations could be made, either to build up, or, in a crisis, to begin drawing down that reserve, which would be substantially held, as you indicate, in private hands.

Senator CLARK. Then the CCC would not hold it if it were in private hands. The CCC would pay storage to grain companies for holding. Is that the Secretary of Agriculture's position?

Mr. ENDERS. That is an option. We would not envision seeking, certainly not at this point, additional authority to the authority he already has concerning stocks to implement an international agreement of this kind.

Senator CLARK. It might well work out that our share would be about 10 million tons? I know it has not been decided, but what figures are we talking in terms of—10 or 20 million tons?

Mr. ENDERS. We have not gotten down to the burden-sharing part of it, but certainly we would want to take much less than we have in the past, where we have been working at 80 percent of the world grain reserves.

Senator CLARK. As I understand this alternative, we would really have the private trade hold this grain and they could sell it at any time they wanted to?

Senator DOLE. Or the farmer could hold it?

Mr. ENDERS. Yes.

Senator CLARK. Storage would be paid by our Government?

Mr. ENDERS. Storage and interest requirements. Those would be policy variables to be used by the Secretary of Agriculture to insure that the desired level was reached, or if drawdowns were necessary that drawdowns were made. This has happened in the past, recently, for example, in the last couple of years, in which those variables have been used for just this purpose.

Senator CLARK. I think we interrupted your statement.

Senator DOLE. I interrupted because I have to leave, but I did read the entire statement, and I appreciate your comments on the inter-

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national grain reserve. Secretary Butz will be here on Thursday, and I am certain that that question will probably arise.

Mr. ENDERS. Very good, sir.

Senator DOLE. Thank you.

Mr. ENDERS. You are welcome.

The other two points that I wanted to emphasize are the other aspects of the strategy that we are trying to follow in the food security area concern production, on the one hand, and food aid, on the other.

Now, production has clearly got to be the answer to the problem of the shortfall in the developing countries. We cannot, other than in the short run—we cannot, in the long run, devote the enormous investment required, pre-empt the use of land and water, develop the huge financing mechanisms required to cover a deficit of the kind which might result in the LDC's, so what we think has to be done, Mr. Chairman, is to create a structure of relationships in which the LDC's can be encouraged and assisted to take over this job themselves and to match demand with supply centrally in their own countries.

We have several policy instruments for doing this. One of them is an increase in our agricultural assistance to the developing countries, and as Mr. Parker mentioned, there will be a major increase this year, and we believe next.

The second is that we have proposed, and it has now been created, a new consultative group on food production and investment in the World Bank framework. The purpose of this group is to lay out a detailed strategy for the agricultural development of the developing countries and to match up agricultural inputs, both from without and from within, to that strategy.

The concept, Mr. Chairman, is to get on the one hand increased assistance, and on the other hand, the necessary changes in agricultural policy by the developing country themselves that they must make in order to become ultimately self-sufficient.

We will also shortly come forth with a world fertilizer policy to insure that this key input is available over the next 25 years.

Now, on the subject of food aid, while these efforts to accelerate production, build up reserves, insure us food security are getting underway, we will need, we believe, expanded food aid to developing countries. The World Food Conference set a target of 10 million tons annual commitments, and we support that, but we want to make sure that other donor countries, particularly the oil countries, have a major share in that overall target.

Now, in the case of the United States, an anomalous situation has developed over the past 2 years. At the very time that food aid was most needed, it turned out to be the hardest to get. Last fiscal year and fiscal 1974, our food aid program overall actual shipments were down to a 20-year low. As a result of this and as a result of the very urgent claims of countries at war, the distributions of that food aid between recipient countries was skewed in an undesirable manner.

This year we have finally achieved a more optimum program, but after much delay, a delay which has made planning difficult in the developing countries themselves, as well as in this country.

Now, Mr. Chairman, we think that these two difficulties are related to the concept of Public Law 480 as a residual, the notion

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that we have to do everything else we want to do, feed our domestic population, which must have, of course, the highest priority, admittedly, commercial exports, stockpiles for carryover, and only at the end will we look to food aid. This is a notion that we think is not compatible with our continuing responsibility to the world in this field.

Now, the administration and Senator Humphrey are proposing an amendment to section 401 of the Public Law 480 Act, which would make food somewhat less a residual than it is now. Under this proposal, the Secretary of Agriculture could determine that some part of the exportable supply, including that needed to meet commercial demand, should be used to carry out the objectives of the Public Law 480 Act. We think this goes in the right direction and would like to commend it again to you for consideration as you make this review.

Senator CLARK. Sir, if I might interrupt, does the amendment designate any particular percentage?

Mr. ENDERS. It has no qualifying adjective as currently drafted. It is up to the Congress to determine the relationship of these priorities, but we would think that we should not have Public Law 480 only as the last priority.

Senator CLARK. Good.

Mr. ENDERS. A controversy has developed, I think, because of the unusually tight supply situation and the impact on Public Law 480 programing overall, the controversy over so-called political and so-called humanitarian uses of food aid.

We find, Mr. Chairman, it difficult to separate out programs categorizing them as one or the other. Each of our programs has in it a strong humanitarian element. All of the countries we are assisting are developing countries. They all have low nutritional levels. Many of them face disaster, either natural disaster or the disaster of war. All of them have major food needs.

In some case, and this is notably the case of assistance to Middle Eastern countries, we believe that the relationships which develop in part through Public Law 480 relationships can have an important bearing on the search for peace there and we think that this is in the very truest sense of the word a humanitarian objective as it is unquestionably a national security objective.

Now the Public Law 480 act, rather, the Foreign Assistance Act, this year contains a 30–70 distribution of title I food aid allocations between countries that are not and those that are on the United Nations' MSA list. As previous Government witnesses have indicated, the administration will respect that division. The question arose as to the basis for applying the 30–70 formula. Did it apply to all shipments this year or did it apply only to all allocations?

In our view, it must first apply to allocations and that is the basis upon which allocations are to be made, and we expect them to be complete either this week or very early next week.

In the second instance, Mr. Chairman, the administration will make every effort to make sure that the actual shipment of commodities this year—and you are aware that the cutoff point for counting shipment of Public Law 480 commodities against each year's budget is June 30—that the shipments will also reflect the 30–70 division.

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Senator CLARK. Good.

Mr. ENDERS. I have discussed this further with a number of Senators who have been particularly interested in this question and I pointed out to them that we could not give them an ironclad guarantee that the shipments would follow this pattern. If there is a strike, it can influence 50,000 tons one way or another. If there is a delay in reaching an agreement, a haggle over reaching the terms of an agreement, a change of commodity composition, all of these things can affect the total.

Moreover, there are some cases—for example, Bangladesh—in which the limitation of port facilities is such that it may not be desirable for all that we have programed to arrive within this fiscal year. There may be other such situations of this kind.

I think two statements can be made on this, though. One is that the allocations will correspond to the agreed division, and that division, therefore, if you look at the total cycle of Public Law 480 programs, which is to say this year's budget less the carryover plus next year's carry-in, will certainly correspond to the 30–70. Second, we will make every effort that we can to make sure that that 30–70 also applies to shipments.

Senator CLARK. I appreciate your comments. I think it is important that you are prepared to make that kind of effort. It is not true that carry-in is simply subtracted from the budget of the next year, so you do not get any "additional" food at all?

Mr. ENDERS. It is not a question of subtraction. The carry-in must be financed by the next year's budget.

On the other hand, in all of our programing this year and in earlier years, we always look to the non-carry-in portion in making decisions. Why? Because the carry-in has already been determined, and it always appears as a residual in the tables.

So I think it is safe to say that this would not be subtracted from the future. It obviously must be financed. Now, it may be, Senator, that for this reason as well as others, that a more sensible way of accounting Public Law 480 would be in terms of the standard way of actual purchases and commitments rather than shipments, as other Government transactions are handled. This would remove the problem that we are now discussing.

I am not suggesting it because I do not know the technical implications of it. But there may be ways of accounting that would remove the sort of difficulty that we now encounter.

What I want to say finally, sir, is that we think all of these aspects of food security should appropriately be looked at together. It makes no sense to have a food aid program if, in periods of short supply, you either cannot budget or cannot buy the commodities on the scale that is required by the needs of developing countries. It makes no sense also to accumulate an international grain reserve if, in fact, that reserve does not function in a way to help the countries which may need it most.

Finally, it does not make, in our view, sense to expend substantial sums of foreign assistance if that foreign assistance does not also materially help the major problem of the developing countries in the next 25 years, which is food.

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We think that looking at food security as a whole in all of its aspects, you find that our humanitarian, our political, our national security interests all converge, and that we do have a major national interest in contributing to food security in the course of this next 25-year period.

Thank you, sir.

Senator CLARK. Thank you very much. I would agree with much of what you have said. I have some questions about some areas. Let me start by saying that many of us are very pleased that the administration has decided to increase food aid by 2.2 million tons. We recognize the problems of shipment, but we would rather have those problems than no increased food aid. We certainly compliment you for that.

I am paricularly interested in the latter part of your statement, your oral as well as written statement. I am interested in your idea that political and humanitarian food aid is difficult to distinguish. If I could just quote one paragraph from your statement:

> Mr. Chairman, let me add a word about the controversy between "political" and "humanitarian" uses of food aid.
>
> You would argue that our programs are designed to achieve both ends. All the countries we assist with Public Law 480 are developing. All are relatively poor. All have deficient dietary standards. Many are threatened with disaster, either natural or through war. All have major food needs.
>
> The question, then, is not whether to choose between Korea and Pakistan, between Vietnam and Cambodia, between Chile and India.

It seems to me that you are implying that no priorities are to be established between humanitarian and political food assistance. Thus, it would be wrong for us to place a higher priority on certain of those experiencing famine than on others. Is that a correct conclusion?

Mr. ENDERS. What I am saying is that although you can always in the end establish a list of priorities between countries, if, in fact, you are forced to choose, that when you get down to very tight levels of Public Law 480, I think the choice becomes artificial because the penalities to American interest, however described, national security interests, humanitarian interests, interests in peace, the penalties involved in the choice in failing to support one or a range of countries become insupportably high.

I think this is what we say in the case of the food aid program of fiscal year 1974. I think that is not a tenable program as the national program.

Senator CLARK. The 1974 program was not tenable?

Mr. ENDERS. In my view, and I think that what I am saying is that when you get down to this kind of choice with such fundamental interests of the United States involved, that at those very low levels you find that, in fact, a rank ordering is artificial.

Senator CLARK. You would not subscribe to the idea that in a period of famine, food ought to be given not to South Korea but to Bangladesh?

Mr. ENDERS. We are talking about different things. If we have now a world food emergency in the purest sense, famine——

Senator CLARK. And we do.

Mr. ENDERS. Then I think we are talking about two different things, Senator. I think we have a very grave world food situation

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requiring a much larger effort by the United States. I think we have and will have, in the case of India and in the case of Bangladesh in particular, we have some pockets which are potentially spots of very serious famine which are of grave concern, which, above all, those two Governments, but also we must be moving on.

I do not think that the needs, or requirements, are such as to require a massive shift of commodities from all other potential recipients or from the United States.

Senator CLARK. Your answer to my question would be that it would not be justifiable to shift further from South Korea to Bangladesh or Sri Lanka.

Mr. ENDERS. In this year, no, but you asked me the general proposition as to whether, in the case of famine, we should take commodities from other uses, and the answer to that would be, of course, yes.

Senator CLARK. The United Nations has identified some 32 or 33 nations as most severely affected by famine. How many of those will we supply food to in this fiscal year?

My recollection is under direct title I to 4 countries, 4 of the 32 or 33.

STATEMENT OF ROBERT SERVICE, DEPUTY DIRECTOR, OFFICE OF FOOD POLICY, BUREAU OF ECONOMICS AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. SERVICE. 10 on title I.

Senator Clark. These are direct title I assistance programs?

Mr. SERVICE. Bangladesh, Cambodia, Guinea, Haiti, Honduras, India, Madagascar, Pakistan, Sri Lanka, Tanzania.

In addition, we expect to have a program with Mozambique, which is not strictly on the list, but I believe that there would be some agreement that it should be considered an MSA.

Senator CLARK. Some of those agreements are new, are they not? The Department of Agriculture agreements for this year——

Mr. SERVICE. We do not have agreements with all of them.

Senator CLARK. But you have plans to make agreements.

Mr. ENDERS. That is correct, sir.

Senator CLARK. That is 9.

Mr. SERVICE. That is 10 plus 1. Mozambique makes 11.

Senator CLARK. And as I understand it, you have 7 non-MSAs that you are planning to serve this year?

Mr. ENDERS. Let's see.

Mr. SERVICE. We have agreements at this time with seven and one more intended.

Senator CLARK. On the other hand, you intend to abide by the amendment that has 70 percent of the total going to MSA countries.

Mr. ENDERS. That is correct, sir, in dollar value.

Senator CLARK. I would be interested, and I think both this committee and the Foreign Relations Committee, in your reaction to Congress designating a certain percentage of this food to be used in a certain way, such as we did in the December amendment.

Mr. ENDERS. I think that it is an instrument of policy that is hard to fine tune. You start out with a list established by the United Nations, in this particular case, for purposes that are somewhat different

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than the purpose of the Public Law 480 act. The list established by the United Nations refers to the balance-of-payments deficits and it has gone up primarily on the basis of oil deficits.

We find that it does not take in all countries that have, in fact, large food needs, but it takes in others with lesser food needs. Some countries, such as Chile, for example, are not included because their per capita income is high. In Chile it is about $890 a head, as compared with the cut off in the U.N. of $400 a head.

On the other hand, Chile is, by the criteria, being impacted by high oil and food prices, probably the country that is the worst off in the world. It has a balance-of-payments deficit this year that is beginning to look like around $850 million, all of it accounted for by food and increased oil prices. It is a list therefore established by another body for a different purpose. That would be my first comment on it.

My second comment on it is that the exact analysis of the requirements of countries will require more than international statistical efforts. Another list which has been used which was referred to in the comments here earlier was the FAO alert list which, as of January, showed—I think you cited this earlier—4.7 million tons of food unmet for the MSAs. So it is sort of a second order calculation on the international total.

Now this list has some problems with it. A simple one is that it includes still unmet 900,000 tons of rice; 700,000 of those tons are actually needed for the second half of the year rather than through June 30 and have to be dropped from immediate requirements. This is nót noted here. So that we are really talking about 4 million tons of grain. Second, that this is a list which is basically a want list by these countries. I do not begrudge them having a want list. I think it is sensible that they should. On the other hand, that does not necessarily have to be determining for our own decisions. And let me return to an exchange which we had here earlier on the question of whether we should retain Public Law 480 on a concessional basis or whether we should make it an outright grant.

In my view, sir, it should be retained on a concessional basis because I think that the fact that it is a dollar obligation of the recipient countries is a strong incentive to serious decisionmaking by that country when Public Law 480 is requested and offered. These debts do come due and they must be paid.

Third, I think that the implication that all of this requirement, even if you scale it down to take off some of the unnecessary elements, must be met by food aid is the wrong implication. In other words, I think there is a place for commercial transactions here. I do not think that those countries that provide food aid should be the only ones to meet the basic requirements of the developing countries. This is a burden which should be shared by all donor countries.

Now the third comment I would make on the division between the two is that it is basically very artificial, Senator. I mentioned earlier the Middle Eastern countries. They account for in-dollar value about one-half of the programing for non-MSA's in this year's program. The programs of Egypt, in particular, Israel, Jordan, Syria, are programs which are designed or which flow from the interest of both the United States and those countries. In having options in the Middle East other than the ones which have existed in the past, we are

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providing to Egypt and to ourselves a means of a relationship which can contribute to peace in the Middle East. And one of the underpinnings of this is a Public Law 480 relationship. There are others.

This, yes, is a political relationship, but it also serves a much larger, and as I stated earlier, humanitarian purpose in contributing to peace in the Middle East. We put particular value on this.

In the case of a country such as Korea, our programs there are certainly phasing down from what they have been. Korea is a country which is as impacted, perhaps, as any has been by very high food and oil prices but has a very resilient economy and will be moving out of that.

On the other hand, we have a long-term aid relationship with Korea which we are gradually working down and it is in our interest, as in the Koreans' interest, that this be an orderly process and not an outright cutoff. I think that it would be extremely difficult, as we have seen ourselves, Senator, and this is my final point, to fix in any one point in time on a given list or given amounts and have that hold through the entire cycle of Public Law 480 determinations.

Senator CLARK. I think that is understood. Certainly no one list that any group could put together would be perfect. Certainly no list would claim to be. But it seems to me that even with the weaknesses of the existing list, the list is useful. Somebody has to make a list. You may make a list of where our food should go and maintain it is a better list.

In my judgment, and it is a judgmental question, it is as good a list. You might argue that Pakistan requests more food than they really need or you might argue that some countries ought to be on the MSA list and are not or vice versa—but after having said all that, it seem to me very difficult to argue in a time of famine—that so much of our food aid goes to countries that do not have a major food deficit. We are talking about Egypt, we are talking about Israel, we are talking about Jordan, we are talking about Syria, and to some degree, other countries which are not in the Middle East.

Now, I do not question for a moment the foreign policy objectives which you have discussed. I just quarrel with the idea that food ought to be used in a time of famine in this way. As you have said, there are many other ways of achieving these kinds of goals, not just food. Food is one of them. But it seems to me that when we are facing malnutrition of 400 million to perhaps 500 million people—and we are talking about something in the area of 10,000 people a day dying—those political objectives are not as important.

Now admittedly, it is a judgmental question. You may want to respond to that.

Mr. ENDERS. I think the first thing to say, Senator, is we believe the requirements of the most seriously impacted country, India and Bangladesh, will be met this year. There undoubtedly are going to be physical limits on what those countries can actually bring in and distribute, and this will constrain their ability to meet the food problems within their own countries. That constraint is something which is beyond our control.

Senator CLARK. Not if we had made the decision 3 months ago. It would not have been beyond our control.

Mr. ENDERS. Both of these countries will be importing up to their full physical capacity this year. There is just not going to be a potential input into those countries that was not made.

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Senator CLARK. Then further purchases would not help them a bit either.

Mr. ENDERS. Further purchases will not help them except to the degree that it comes after, you know, comes later. Now in the case of India, for example, we evaluate their requirement at roughly 7.8 million tons. This is a little below the FAO want list. We think that that is basically going to be there largely because they are commercial purchases.

Clearly, in the case of India, we expect that there will be an ongoing need of major proportions. It will take them some time to work out of this crisis. Their ability to buy food commercially will be less in the future than it has been this year and it is my expectation that larger requirements will be, in fact, put on all of the donors of India, including the United States in the future. We expect this to be a continuing relationship.

Senator CLARK. Let me ask three or four brief questions because our time is long gone. With regard to the administration's position on the 70–30 amendment, we have heard a lot of discussion that the administration is now going to significantly increase tobacco and cotton under title I since they interpret the amendment not to include tobacco and cotton, particularly to Vietnam and some other areas. Is that true?

Mr. ENDERS. No, sir.

Senator CLARK. You are not increasing the aid?

Could you get the figures?

Mr. ENDERS. I think that the total for these two elements is 84. Is that correct?

Mr. SERVICE. That is correct?

Senator CLARK. 84 what?

Mr. ENDERS. Million dollars.

Senator CLARK. Increase?

Mr. ENDERS. No, total nonfood. I suspect but I cannot verify it that it was less than it has been. What was it last year? I think that is the Senator's——

Senator CLARK. No. My question is whether or not the recent announced increase includes an increase of tobacco and cotton for South Vietnam or other non-MSA countries.

Mr. ENDERS. All right. I think the answer to that is no. When we started out on this program working last May, Senator, it had in it substantial amounts, and I cannot give you the total amount right off the top of my head, but they were substantial amounts of tobacco, cotton, and other nonfood items. We decided last May that given the shortage of funds and tight supply situations, that we should limit this very severely. We left in some elements of tobacco in the countries where it was particularly needed. This turned out to be primarily Vietnam. I think there may be some in Cambodia; is there not?

Mr. SERVICE. A small amount in Cambodia.

Mr. ENDERS. Are there other countries?

Mr. SERVICE. Egypt got some in carry-in from 1974.

Mr. ENDERS. I see. And a small amount of cotton was added in the Indonesia program because the Indonesians preferred cotton to rice. But these do not represent offsetting increases as you suggested. I think the totals are very small compared to what they often have been in the past.

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Senator CLARK. As I understand your statement, you are saying if we compare the amount that is currently programed or prepared for programs in cotton and tobacco, there is no increase over what you were planning as of December. You know, it appeared in the newspapers on a number of occasions and I have a copy of a memo that was circulated called Option Three, which talks about how much if you go to the higher figure you are really going to attribute to each of these countries.

It was my understanding, and this is certainly unofficial and that is why I ask you, that you are going to increase the tobacco and cotton over and above the so-called December 5 memo with this additional money. But as I understand your answer, that is incorrect.

Mr. ENDERS. What I am saying, sir, is, there is some, in the item which you have found in that December memo of $100 million, I believe, or $101 million for Vietnam, included a substantial amount of tobacco. That tobacco item remains as it was as does the cotton item for Vietnam.

Senator CLARK. That is what I am asking, good.

Mr. ENDERS. And what has changed—and this comes back to an earlier request by Indonesia—is that they prefer cotton to rice, and that was not anticipated, I do not believe.

Senator CLARK. How many millions of dollars would that amount to?

Mr. ENDERS. In the case of Indonesia?

Senator CLARK. Yes.

Mr. ENDERS. $43 million.

Senator CLARK. In a letter to the Foreign Relations Committee sent to Secretary Kissinger with regard to the effort by the administration to implement the 30–70 amendment, Senator Sparkman, the chairman of the committee, received a letter saying that a priority effort to expedite shipments to the MSA countries would be made.

My question is what specific steps are being made to do that?

Mr. ENDERS. This is a long process which will require pushing at every stage. That is to say, starting with the agreement itself and going on to the purchase and the shipping of the commodity. What this is going to mean is that we are simply going to have to ride herd on this very closely to make sure that this is done. The whole process will need pushing.

Senator CLARK. No specific proposals, but at every step you are saying——

Mr. ENDERS. We are now going ahead with the final allocations, and as I said, we expect to have them this week or next. We are going to push the whole program in order to get it out by the end of this fiscal year in its great majority, but we are going to particularly push the LDC side of it and the MSA side of it.

Senator CLARK. Good.

Last question.

I would like to go into the figures that you have projected in trying to meet that 70-percent requirement, and I was wondering if you would supply it to us as soon as those figures are allocated or programed, or whatever the proper word is, so that we could have those? They have been supplied to us by your office, I think, somewhat unofficially. So I qualify my question in that respect, but the figures that we have been given show that $1.47 billion in food aid is going to be given and that that breaks down to the MSA countries to $655

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million, to the non-MSA's there is $364 million, which is a total of $1,019,000,000, and then, if you add the carry-in of $56 million, that gives you a total of $1,075,000,000.

Now, 30 percent of that figure is $305 million not $364 million, which is what you currently have programed for non-MSA's. How do you account for that difference?

Mr. ENDERS. As you say, sir, the 30–70 applies to title I only. It applies to allocations of concessional food aid, and the difference between the figures that you have just cited, those are the total title I package, and title I food is a total of $84 million.

Senator CLARK. This is tobacco and cotton?

Mr. ENDERS. This is tobacco and cotton.

The total food would work out to the following: 655 for MSA's, 280 for non-MSA's, total: 935. I am reading from a tentative sheet, but I think that that is what it is going to be.

Senator CLARK. So you are saying that my calculation includes the nonfood items, and in your interpretation of the amendment they should not be included.

Is that correct?

Mr. ENDERS. It refers to concessional food aid in the amendment.

Senator CLARK. Part of the increase we are talking about is going to be—even though it is the food for peace program—nonfood items?

Mr. ENDERS. As I say, I think it is a very small percentage in historical terms.

Senator CLARK. It's $84 million of the $1,019,000,000.

OK, I think that answers the major questions. We have a few more that we would like to submit for written response.

[The following information was subsequently received for the record:]

DEPARTMENT OF STATE,
Washington, D.C.

Hon. HERMAN E. TALMADGE,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am responding to questions posed by Senator Dick Clark for Assistant Secretary Thomas Enders as a result of the February 18 hearing on PL 480. For clarity I will repeat Senator Clark's written statements and questions.

1. You state that both India and Bangladesh "will be importing up to their full capacity this year. There is just not going to be potential input into those countries that was not made". If Food for Peace increases had been announced 3 months earlier, the constraints of the recipient nation's ports and distribution facilities would not be as acute.

Q. Are you saying that Bangladesh and India have been receiving commodities at their optimum capacity from November through February and during the rest of the year?

A. In the case of Bangladesh the Government of that country now estimates FY–75 grain import requirements at 2.3 million metric tons. As of February 18, counting full-year PL 480 programing, we estimated that 2.4 million tons had been pledged by food aid donors or purchased by the Government. These are the figures I had in mind in stating that Bangladesh will be importing up to its full capacity this year.

Our Embassy in Dacca reports that during the first six months of FY–75 Bangladesh imported 1,060,000 tons of grain, a monthly average of 177,000 tons. In order to complete deliveries of 2.3 million tons by 30, June the monthly average during the second half of FY–75 will have to be 207,000 tons. We believe this is possible. But depending on the prospects for its own spring crops and because the period August through October is normally the leanest period in Bangladesh, the Government may decide to schedule some currently committed grain for arrival after June 30.

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Optimal use of Bangladesh's port facilities can be ensured only if both its needs and the resources to meet them are known at an early date, for example, two months before the beginning of each fiscal year. This is seldom the case. Nevertheless imports have been maintained at a fairly steady level in FY-75.

In the case of India the Government of India revised upward its import requirements during the first half of FY-75, not using the 8.5 million ton figure until late November. This may partially explain why imports through November totaled only 2.3 million tons and why the total import capacity through June is probably in the range of 7.2 to 7.8 million tons. Commercial purchases and probable levels of food aid, including that from the US, totaled 8.0 million tons as of February 18. Since then the Government of India has deferred some contracts for grain delivery from FY-75 to FY-76.

Q. If you hold that India and Bangladesh have been receiving additional food assistance, it would seem appropriate to direct our efforts towards other needy nations. However, you stated that "in the case of India and Bangladesh in particular, we have some pockets which are potentially spots of very serious famine which are of grave concern, which above all, those two governments but also we must be moving on." Would you explain what you mean by "moving on." Since you comment, "I think we have a very grave world food situation requiring a much larger effort by the United States" you seem to infer increases to those nations as well.

A. By "moving on" I had in mind primarily the longer term aspects of global food strategy. In countries as large and poor as India it is difficult to predict or avoid localized severe food shortages. Distribution systems are frequently inadequate. Price incentives and other policies may not operate to move grain to the areas where it is most needed. These are matters largely beyond the control of external donors.

The longer term solution requires intensified agricultural development efforts, for which the donor countries can provide some of the resources but cannot carry out the internal changes needed, and the buildup of some internal grain reserves. Agricultural development and the maintenance of reserves will enable both Bangladesh and India to reduce the number or size of "pockets" where the food problem is particularly severe in any given year.

In the context of my statement at the February 18 hearing, I did not mean to suggest that we should program larger amounts of PL 480 commodities to Bangladesh and India this fiscal year than we now intend.

2. You mention that non-food "is a very small percentage (of PL 480) in historical terms". Records show, however, that since its inception, over 15% of the Food for Peace program has been non-food items. These levels may be resumed at any time.

I am concerned that you have not applied the 30/70 priority formula to items such as cotton and tobacco. You argue that the amendment which establishes the 30/70 limitation applies to "concessional food aid". However, whenever PL 480 funding levels are announced, non-food items remain an indistinguishable part of our *food* aid program.

Q. The intent of Congress in amending the Foreign Assistance Act seems clear—a 30% limitation on Title I of PL 480. Do you think that the intent of Congress was to limit political assistance to 30% of Title I excluding tobacco and cotton?

A. We expect that non-food Title I allocations this year will be less than 10 percent of total Title I. While the inclusion of non-food under PL 480 dates from the inception of the Agricultural Trade Development and Assistance Act in 1954, and thus predates the "Food for Peace" title that has come to be attached to it, I believe it is appropriate to reduce the proportion of non-food assistance in years of larger than average food needs.

I think it important to note, however, that there is not always a trade-off between food and non-food aid and that in some circumstances our ability to supply non-food items can assist countries to make the food purchases they require. Public Law 480 now requires that the Secretary of Agriculture determine that commodities are in excess of domestic needs, adequate carryover and anticipated commercial exports before they can be made available for food aid. In both FY 1974 and again this year there were strict quantitative limitations on the amounts of foodgrains that could be allocated under PL 480. The supply situation has not been as tight for non-food commodities. Thus situations may arise in which the only way to provide adequate financial assistance to a food short country is to ship non-food commodities. Such shipments, under some circumstances, can enable recipient countries to devote more of their own resources to commercial food imports.

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Section 55(a)(5) refers to concessional food aid. I have understood the objective of that amendment to be the largest possible PL 480 program this year and one in which countries with particularly severe balance of payments problems receive priority treatment with respect to food aid. Prior to the President's decision on the overall level for PL 480 this year, there were discussions between officials of the Administration and members of the Congress. The exclusion of non-food aid from the 30/70 formula was discussed. The final decision on the PL 480 level reflects those discussions and I believe it meets the intent of Congressional sponsors of Section 55 (a)(5).

Please let me know if we can be of further assistance in this matter.

Sincerely,

ROBERT J. MCCLOSKEY,
Assistant Secretary for Congressional Relations.

Mr. ENDERS. We will send you the allocations when they are established. I expect that to be later this week.

Senator CLARK. Thank you very much. We appreciate your appearance here.

Mr. ENDERS. All right.

[The prepared statement of Mr. Enders follows:]

STATEMENT OF THOMAS O. ENDERS, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman, it is apparent that the task of achieving world food security in the last quarter of the century will be both more complex and more compelling than heretofore.

Up until two years ago the world had substantial food reserves, nearly all of it held in North America. Now we are down to pipeline levels, having adjusted to two successive annual shortfalls in availabilities first by drawing down stocks, then by significant cutbacks in consumption in this country (through livestock liquidation) and in a few developing countries. At present there is no more scope for adjustment without severe hardship.

Current projections suggest that a small statistical surplus in world grain supply and demand is probable this year. But even if realized, the resulting increase in stocks would leave the world vulnerable to a new grain shortfall.

Projected requirements for the medium and long term are disquieting. To meet demand generated by growing population and economic growth, the World Food Conference estimated that total food production will have to continue to grow over the next 25 years at an average annual rate of 2½ percent. While physically possible, sustained production growth at this level will require an extraordinary effort in every country to improve yields and bring new land into cultivation. It will require a particular achievement in developing countries, in which food production is projected, even at the current, historically high annual rate of increase of 2½ percent, to lag well behind demand, which will increase at 3½ percent, widening the gap in LDC food requirements from 25 million tons at present to as much as 85 million tons in 1985. Such a gap is far more than the developing countries could conceivably purchase commercially, and far more than donors could conceivably provide in food aid.

There has been much discussion about the meaning of these projections, with some arguing that the world is heading for a Malthusian disaster, others that we can now as in the past rely upon technological changes, the stimulus to agricultural change of higher relative prices for food, and efforts to dampen population growth. I do not think we can know now which of these competing forecasts is closer to the truth, for the outcome depends essentially on the actions which this country and others now take. But this much is clear: the penalty for calculating wrong and doing too little to accelerate world agricultural production will be devastatingly harsh, far harsher than the cost of doing too much.

At Rome, in November, Secretary Kissinger laid out a three-point strategy for food security, which in its essentials the World Food Conference adopted. This strategy calls for:

First, accelerated production in both developed and developing countries. In the short and medium term, the major producing countries like the United States can and should expand output to meet shortfalls in the developing world. But over time they should not be expected to cover the projected gap in LDC needs: to do so would require enormous investment, the preemptive use of scarce land and water, and multi-billion dollar financing of food transfers. Rather the focus

must be on raising production within the LDCs themselves. In many cases this will require a revolution in farm policy, so that agriculture can have priority access to scarce resources, and so that farmers have adequate incentives to produce. It will also require large-scale agricultural assistance, for research, for infrastructure, for the improvement of credit and distribution systems, for such direct inputs as fertilizer and machinery.

Action to meet these requirements is underway. AID FY 1975 agricultural assistance programs will total $676 million, up $391 million from the previous year. For FY 1976 we will propose $680 million. At our proposal the IBRD, FAO and UNDP have created a new Consultative Group on Food Production and Investment with the purpose of laying out a detailed strategy for LDC agricultural development. The Consultative Group will evolve a process of country examinations, so that needed farm policy changes can be discussed in relation to agricultural assistance inputs. In order to be sure that the necessary supplies of the key input of fertilizer are available over the next 25 years, we will shortly propose a far-ranging world fertilizer policy. And we are concerting with other major producing countries to make sure that our productive capacity is used to the fullest.

Second, development of an international system of nationally-held reserves. President Ford in his speech before the UN General Assembly last fall, two months before the World Food Conference, committed the U.S. to join in a worldwide effort to negotiate, establish and maintain such a system. Secretary Kissinger spelled out its basic elements at Rome.

An international grains reserve system would insure all participants, developed countries as well as developing, against an interruption in the physical supply of grain, against the financial burden of procurement in times of shortage, and against the need to make sharp adjustments in consumption, as the U.S. did this past year. It would also assure that the physical quantities of food required for food aid are actually in place and available at reasonable prices. In this sense a reserves agreement might give priority claim to withdrawals for food aid or emergency relief.

The U.S. has taken the initiative in carrying out the effort to bring together major importers and exporters to examine this problem. I have in fact just returned from a meeting held in London last week, in which the first step was taken toward reaching a consensus on the framework for negotiating on reserves and on its relationship to the Multilateral Trade Negotiations. Much work lies ahead but the effort is now underway.

Third, expanded food aid. For much of this decade, while efforts to accelerate LDC agricultural production get underway, food aid will continue to be an essential element in covering the gap in developing country food needs. This is the meaning of the World Food Conference resolution calling for an annual commitment of 10 million tons of food aid for three years. Present international commitments are about 5 million tons annually, including obligations under the Food Aid Convention of the International Wheat Agreement and to the World Food Program. We support the World Food Conference target.

It is clear that achievement of this target is the responsibility not just of the major food producing countries, but of all countries with a high standard of living or substantial liquid funds.

As for the United States, it is our intention to sustain food aid at a high level. In the last two years, the fact that PL–480 is, under the terms of the Act, a residual, has led to major distortions. In FY 1974 the overall total was low, and the country distributions thus skewed to reflect the urgent requirements of a few nations at war. This year the same residuality calculus led to delays, although the final totals more closely approximate an optimum program.

In looking to the future of PL–480 we have to find some to moderate this basic problem of the past two years: that food aid is most needed but least available when world grain supplies are tight and prices high.

The amendment to Section 401 proposed by the Administration and Senator Humphrey would make food aid less of a residual than is now the case. The Secretary of Agriculture could determine that some part of exportable supply (including that needed to meet commercial demands) should be used to carry out the objectives of the PL–480 Act.

Critics of this proposal say that its adoption would expose us to a higher risk of export controls in a short supply situation, with PL–480 no longer there as an adjustable balancing item. But that risk should not be exaggerated, nor should it be absolutely determining. We cannot be serious about feeding hungry and needy people if we are ready to abandon or cut back our program when demand is high.

Amendment of Section 401 is the most important change required to adapt

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PL–480 to the needs of this decade. But PL–480 will not serve its purpose unless it is funded at a consistently high level so as to provide a substantial, sustained commodity flow, at least in the coming years. That is the intention of this Administration.

Mr. Chairman, let me add a word about the controversy between "political" and "humanitarian" uses of food aid.

Few would argue that our programs are designed to achieve both ends. All the countries we assist with PL–480 are developing; all are relatively poor; all have deficient dietary standards; many are threatened with disaster, either natural or through war; all have major food needs.

The question then is not whether to choose between Korea and Pakistan, between Vietnam and Cambodia, between Chile and India. The question is how to find a basis on which our national interests can be served in each country. As we have seen this year, that requires a larger program, and President Ford has budgeted at $1.47 billion commodity costs.

However food aid, Mr. Chairman, is only part of food security; in the long run it is the less important part. In creating a regime of food security in the developing world—through accelerated production, creation of reserves, as well as food and— our political and humanitarian interests converge. Food security must be one of the fundamental objectives of both foreign and domestic policy in this decade.

Senator CLARK. The committee will recess until 2 o'clock.

[Whereupon, at 1:30 p.m. the committee recessed to reconvene at 2 p.m.]

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order, please. The next witness is Mr. Gwynn Garnett, of Arlington, Va. You may proceed, Mr. Garnett.

STATEMENT OF GYWNN GARNETT, ARLINGTON, VA.

Mr. GARNETT. Mr. Chairman, I am Gwynn Garnett. I thank you for this opportunity.

For more than 10 years of my life, I have been preoccupied with Public Law 480. This involved its design and draft, as Director of Food and Agriculture for the U.S. High Commission of Germany, as Director of International Affairs for the American Farm Bureau; it involved helping to overcome formidable opposition from two administrations, and, finally, in helping to implement the first $5 billion in programs, as Administrator of the Foreign Agricultural Service. Beyond the 10 years I have observed the implementation with great personal interest from the vantage point of many receiving countries, as a businessman trying to demonstrate the potentials of the original act.

What became title I of Public Law 480 was drafted in April 1953 in India. Then, as now, the peoples of the world whose governments were unable to deal with their food problems were concentrated in the Indian subcontinent. The act was therefore drafted in India, in essentially the form that it was enacted. First is the background situation for Public Law 480 in 1953. In the United States, the Commodity Credit Corporation had about $8 billion in stocks of surplus farm products, and the prospect of increasing to $10 billion or more. Storage costs were running at about $1 million per day. The dollar gap preoccupied international trade considerations. The cold war preoccupied international considerations. U.S. commercial exports of farm products were $3.4 billion out of a total U.S. export of goods and services of $12.6 billion in 1950–51. Leaders of the day thought the United States was a residual supplier of farm products and that U.S. agricul-

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ture should adjust down to that level. The other side of that coin, they contended, was that the United States should look to industry as the balancer of international payments. There was a pervasive attitude in many quarters that our farm surpluses were shameful, resulting from bad farm policies, and that to use them constructively was shameful.

At the same time, many raw materials around the world were in surplus. U.S. food and agriculture policy was preoccupied with such questons as: Should surpluses be destroyed, given away, or sold on concessional terms, what agency should handle the disposal? USDA, ICA, Import/Export Bank, or a new agency or multination agencies. In India, where the act was drafted, hunger was widespread. The balance-of-payments problems were acute. Port and interior storage was inadequate for the population. Cashew nuts were the third largest foreign exchange earner. These nuts were harvested from trees seeded by birds. No cashew nut trees had been planted by man. There were very large areas of unused land suitable for cashew production. Cashew trees bloom profusely, but few blossoms set fruit. No research could be found aimed at making more blossoms set.

Over 200,000 tons of molasses per year were not used. Some 300 million head of cattle and buffalo were making little contribution to the GNP. At least, great amounts of byproducts could have been processed and exported. Large tonnages of expeller-processed peanut cake with about 8–9 percent oil were being used as fertilizer. Estimates of harvest, transport, and storage losses, plus losses to birds, varmints, and monkeys, ran about one-third, much of which could be saved by better storage. Double and triple cropping had much potential for increasing crops. There was great potential for increasing sugar and potato production. Very large unused areas were suitable for castor bean production—an excellent export crop. Credit could facilitate an increase in production of many crops. There was limited potential for increasing production on primitive farms. New systems of food production and marketing were needed to make meaningful contributions to solving each of the above problems, and much of the required funding therefore could be provided by funds received in the sale of surplus foods in India for local currencies.

India had the export capability to make meaningful contributions to the development of third countries to which the United States had committed itself. These exports could be paid for with currencies received from the sale of farm products in India.

In short, India had great undeveloped export potentials for noncompetitive agricultural and industrial products. Currencies generated from the sale of U.S. foods could provide the funding needed to expand exports in a magnitude approximating the food import requirements. Most poor countries, except some in the Sahel, have similar potentials.

Now, for the essential provisions of Public Law 480, stripped down to what its framers thought it meant, and what it could do. Much consideration was given to the title of the act, the "Agricultural Trade Development Act of 1954." The concept was to sell surplus farm products for local currencies and use most of those currencies as a revolving fund, on a multilateral basis, to fund projects that would increase exports which would pay for food imports. Section 2—"* * * to expand * * * trade among * * * the United States and

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friendly nations * * * to encourage economic development." Section 103; the President "shall give special consideration to utilizing the authority and funds to develop and expand continuous market demand abroad for agricultural commodities." Section 104—"* * * (a) the President may use * * * the foreign currencies to help develop new markets for U.S. farm products * * * (b) to purchase strategic and critical materials * * * (c) to procure military equipment, facilities and services for the common defense; (d) for financing the purchase of goods and services for other friendly countries; (e) for promoting balanced agricultural development; (f) to pay U.S. obligations abroad; (g) for loans to promote multilateral trade and economic development, made through established banking facilities * * * strategic materials, services, or foreign currencies may be accepted in payment of such loans." Section 105—"Foreign currencies received pursuant to this title shall be deposited in a special account to the credit of the United States and shall be used only pursuant to section 104 * * *."

Comment: Had these provisions, particularly section 104 (d) and (g), been implemented as the farmers intended, there would now be a revolving fund of about $15 billion, available to the President on a multilateral basis to develop "agricultural trade by promoting exports to pay for food imports." In India, for example, there would now be a revolving Public Law 480 loan fund of roughly $5 billion to promote exports to pay for food imports. It is quite reasonable to think that exports could have been increased by the $1.6 billion required to pay for the total grain import required this year and leave the $5 billion loan fund intact.

Conditions which bear on Public Law 480 in the United States in 1975 have little or no resemblance to those in 1953. Each description of the background in 1953 stated above, has changed except: Shall food aid be given or sold? Shall food aid be channeled through U.S. agency or multinational agency? Which U.S. agency? If sold, should it be sold for dollars or local currencies? How shall the currencies be used? Otherwise, the background in the United States for revising is so agonizingly clear as to need no further detail here. I have no firsthand information as to the background situation in India in 1975. Secondhand, the situation seems to be similar to the way it was in 1953, except the research technology and agri-systems available and applicable to India for increasing production for domestic use, and for export, are far advanced compared to 1953; and export opportunities for Indian products are much better than in 1953.

These are some of the provisions of title 1, Public Law 480, that I would like to recommend, based on this 25 years of experience.

The CHAIRMAN. Your time has expired, but your entire statement will be inserted in full in the record. I have read your entire statement. It seems to me the thrust of your testimony is to inject more business practices in the administration of the act.

Mr. GARNETT. Absolutely right. In all the countries I have visited, Mr. Chairman, there are expandable export opportunities. For example, India has a large expandable export potential. I have stated some of those potentials. There are many more. But I think there is too much involved to take it on my word. My observations should be hypothecated. Then send out a new breed of investigators to look realistically at what the export potentials are, and to fit the development program to it.

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The CHAIRMAN. Any further questions?

Mr. GARNETT. I have one more point.

The CHAIRMAN. Thirty seconds.

Mr. GARNETT. The Public Law 480 program should be adjusted, productwise, so that you take the commodities out of the local market. I want to illustrate this way; today, cattle are in trouble. There are 25 countries that need cattle operations in order to utilize otherwise waste products to produce food and fertilizers—this includes India.

The CHAIRMAN. They worship them over there. They do not eat them.

Mr. GARNETT. I did not think they would worship our cattle. India could earn $1 billion per year converting wastes to beef and exporting the beef to the Middle East. So I would like to do this, if I may, Mr. Chairman. I have some questions here with answers which help develop these materials. I would like to submit them for the record.

The CHAIRMAN. They will be inserted into the record. Your entire statement will be. I regret we cannot give your more time. Unfortunately, the time is limited to 10 minutes. If all these witnesses take 10 minutes, we will be here until 7 p.m.

Mr. GARNETT. May I ask that this cattle program be sumitted?

The CHAIRMAN. It will all be inserted in the record.

Mr. GARNETT. I thank you very much, and excuse me for going over time.

[The prepared statement of Mr. Garnett follows:]

STATEMENT OF GWYNN GARNETT, ARLINGTON, VA.

Mr. Chairman: I am Gwynn Garnett. I thank you for this opportunity to comment on the "Third Decade of P.L. 480."

More than ten years of my life were preoccupied with Title I, P.L. 480. This involved its design and draft, as Director of Food and Agriculture for the US High Commission of Germany, as Director of International Affairs for the American Farm Bureau; it involved helping to overcome formidable opposition from two administrations, and finally in helping to implement the first $5 Billion in programs, as Administrator of the Foreign Agricultural Service. Beyond the ten years I have observed the implementation with great personal interest from the vantage point of many receiving countries, as a businessman trying to demonstrate the potentials of the original Act.

What became Title I of P.L. 480, was drafted in April 1953 in India. Then, as now, the peoples of the world whose governments were unable to deal with their food problems were concentrated in the Indian sub-continent. The Act was, therefore, drafted in India, in essentially the form enacted.

1. 1953 Background for P.L. 480

IN THE USA

(a) The Commodity Credit Corporation had about $8 Billion in stocks of surplus farm products and the prospect of increasing to $10 Billion or more.

(b) Storage costs were running at about $1 Million per day.

(c) The "Dollar Gap" preoccupied international trade considerations.

(d) The "Cold War" preoccupied international considerations.

(e) US commercial exports of farm products were $3.4 Billion out of a total US export of goods and services of $12.6 Billion in 1950/51. Though leaders of the day thought the US was a "residual supplier" of farm products and that US agriculture should adjust down to that level. The other side of that coin, they contended, was that the US should look to industry as the balancer of international payments.

(f) There was a pervasive attitude in many quarters that our farm surpluses were shameful, resulting from bad farm policies and that to use them constructively was shameful. Many raw materials were surplus in the world.

(g) US F&A policy was preoccupied with such questions as:

—Should surpluses be destroyed, given away or sold on concessional terms.

—What agency should handle the disposal? USDA, ICA, Import/Export Bank, or a new agency or multination agencies.

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(a) Hunger was wide spread.
(b) Balance of payments problems were acute.
(c) Port and interior storage was inadequate for the population.
(d) Cashew nuts were the third largest foreign exchange earner. These nuts were harvested from trees seeded by birds. No Cashew nut trees had been planted by man. There were very large areas of unused land suitable for Cashew production. Cashew trees bloom profusely but few blossoms set fruit. No research could be found aimed at making more blossoms set.
(e) Over 200,000 tons of molasses yearly were not used.
(f) Some 300,000,000 head of cattle and buffalo were making little contribution to GNP. At least great amounts of by-products could have been processed and exported.
(g) Large tonnages of expeller-processed peanut cake with about 8–9% oil were being used as fertilizer.
(h) Estimates of harvest, transport and storage losses plus losses to birds, varments and monkeys ran about ⅓, much of which could be saved by better storage.
(i) Double and triple cropping had much potential for increasing crops.
(j) There was great potential for increasing sugar and potato production.
(k) Very large unused areas were suitable for castor bean production—an excellent export crop.
(l) Credit could facilitate an increase in production of many crops.
(m) There was limited potential for increasing production on primitive farms. New systems of food production and marketing were needed to make meaningful contributions to solving each of the above problems and much of the required funding therefore could be provided by funds received in the sale of surplus foods in India for local currencies.
(n) India had the export capability to make meaningful contributions to the development of third countries to which the US had committed itself. These exports could be paid for with currencies received from the sale of farm products in India.
(o) In short, India had great undeveloped export potential for non-competitive agricultural and industrial products. Currencies generated from the sale of US foods could provide the funding needed to expand exports in a magnitude approximating the food import requirements.

2. Principal Provisions of P.L. 480–1954

Sec. 1. Much consideration was given to the title of the act—"The Agricultural Trade Development Act of 1954." The concept was to sell surplus farm products for local currencies and use most of those currencies as a revolving fund, on a multilateral basis, to fund projects that would increase exports which would pay for food imports.

Sec. 2. ". . . to expand . . . trade among . . . the US and friendly nations . . . to encourage economic development.

Sec. 103. The President "shall give special consideration to utilizing the authority and funds to develop and expand continuous market demand abroad for agricultural commodities.

Sec. 104. ". . . the President may use . . . the foreign currencies
(a) to help develop new markets for US farm products . . . .
(b) to purchase strategic and critical materials . . .
(c) to procure military equipment, facilities and services for the common defense
(d) for financing the purchase of goods and services for other friendly countries
(e) for promoting balanced economic development
(f) to pay United States obligations abroad
(g) for loans to promote multilateral trade and economic development, made through established banking facilities . . . Strategic materials, services or foreign currencies may be accepted in payment of such loans.

Sec. 105. Foreign currencies received pursuant to this title shall be deposited in a special account to the credit of the United States and shall be used only pursuant to section 104 . . .

Comment—Had these provisions, particularly section 104 (d) and (g), been implemented as the framers intended, there would now be a revolving fund of about $15 billion, available to the President on a multilateral basis to develop "agricultural trade by promoting exports to pay for food imports." In India, for example, there would now be a revolving P.L. 480 loan fund of roughly $5 billion

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to promote exports to pay for food imports. It is quite reasonable to think that exports could have been increased by the $1.6 billion required to pay for the total grain import required this year and leave the $5 billion loan fund intact.

3. 1975 Background for P.L. 480

Conditions which bear on P.L. 480 in the USA in 1975 have little or no resemblance to those in 1953. Each description of the background in 1953 stated above, has changed except:

Shall food aid be given or sold?

Shall food aid be channeled through a US agency or a multinational agency? Which US agency?

If sold, should it be sold for dollars or local currencies? How shall the currencies be used?

Otherwise the background in the USA for revising P.L. 480 is so agonizing clear as to need no further detail here.

I have no first hand information as to the background situation in India in 1975. Second hand, the situation seems to be similar to the way it was in 1953, with regard to the items in "2" above, except:

The research technology and the Agri-systems available and applicable to India for increasing production for domestic use and for export are far advanced compared to 1953.

Export opportunities for Indian products, are much better than in 1953.

4. Some provisions of Title 1, P.L. 480 recommended for consideration in 1975

(a) Reaffirm the concept in the Title "Agricultural Trade Development Act . . ." to promote exports to pay for food imports required.

(b) Sharpen the objectives of the act to reflect an intent to offer designated farm products for sale, with deferred payments, to needy countries. Until the loans are repaid, the currencies generated by the sales are to be used as intermediate loans to increase food production and exports to pay for food import requirements.

Comment—This is needed to clarify the loan concept recommended, I, personally borrow a large amount of money to produce beef, corn, wheat and soybeans. I borrow from a compassionate lender. I go to this compassionate lender with intrepidation. He requires a detailed plan of my operations which gives reasonable assurance that the value of foods produced for market will be more than enough to satisfy the loan payments as due. He takes a mortage on all my property and sends a field man each month to make sure that I am following the plan, and that all the security is there. Should there be deviations, I would be asked to visit the office to explain.

This is the way a compassionate lender operates. It assures me that he will be able to take care of my financial needs next year and the next year, and the financial needs of my son thereafter. Any other procedure would characterize a cruel lender. To assure needy peoples of continuous loans, the USA should follow procedures of a compassionate lender. There is no reason to expect that any multinational body would loan our funds or our foods as a "compassionate" lender should. It will be utterly cruel to let our aid programs bleed the goose that lays the golden eggs.

The great need in poor countries is for development capital. The USA should frame a policy to *OFFER* poor countries a realistic opportunity to meet short term food needs and generate their own currencies to fund development.

(c) "Appropriated Funds" should be used to implement the act through USDA as a major market development effort.

(d) The Secretary of Agriculture should designate farm products eligible for sale under the program.

(e) Eligible buyers should be determined by procedures previously established.

(f) Buyers should be required to buy only in the open market. This gives the buyer a chance to get the most food for the money; the USA to contribute the most development assistance for the money and lessens the burden of the program on US taxpayers.

(g) The products should be sold at market prices and proceeds of sale deposited to a dollar denominated account for the USA.

(h) The funds in the account should be used only as follows:

(1) For purposes consistent with the objectives of the act for loans to credit institutions with 5 year principal and interest moratoriums and full repayment within 10 years.

(2) Sales to US government agencies in exchange for appropriated funds.

(3) Loans similar to above to American businesses.

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(4) Pay for exports to third countries as US assistance, under the same provisions as food aid.

(5) Transfer to IDA as a US contribution, for loans to carry out the purposes of this act, as a last resort.

(i) The Secretary of Agriculture should be directed to draw specifications to encourage American private businesses, land grant colleges and trade organizations to standardize and package replicatable agri-systems for export to help implement the objectives of this act, and submit proposals to him for approval and such assistance as may be available. The standardized packaged agri-systems should include US farm products, management plus production and marketing requisites. Agencies other than USDA should finance the components of each package, other than the farm products. In so doing he should collaborate with the Export/Import Bank, USAID, IFC and OPIC.

In poor countries there are millions of tons of feed wasted, which are suitable for cattle and which could be converted to food only through cattle. The current "Cattl-astrophy" in the USA makes beef systems a likely candidate for one of many agri-systems that could qualify for approval and export. (See attachment for an emergency cattle and beef export program prepared in August 1974.) The US treasury is losing about ½ Billion per month in tax revenue as a result of depression in the cattle industry. Including packaged beef systems, as only one example, gives the most development capital per dollar, increases US tax revenues, improves nutrition and gives receivers the veritable factory for converting wastes into human food and fertilizers.

The Private Trade Agreement provision (Sec. 107 of P.L. 480 as amended) should be used to help implement the sale of these agri-systems via private business. The provision states, "In carrying out this Act, the authority provided in this section for making dollar sales shall be used to the maximum." Despite this, little use has been made of it. There were two reasons for this:

Lack of funding because of the competition from other P.L. 480 programs. This should be corrected by separate funding plus authority for CCC to guarantee sales financed by private institutions.

Lack of standardized packaged agri-systems and standardized procedures to export and replicate them.

Comment—The USA has great potential for increasing the production of export crops—sufficient to pay for petroleum imports. The nation's F&A strategy should be planned that way for strategic reasons. Title I of P.L. 480 should play an important role in expanding exports to achieve that objective.

The concept contained in section 107, hitched to the export of standard packaged agri-systems is the modern vehicle to ". . . teach a man to fish and feed himself for life." Its imaginative implementation could take the adverse spin off the recent World Food Conference and put American hands firmly on the valves of the world's agri-power.

The strategic importance of Food and Agriculture in domestic and foreign affairs will grow and the responsibility of this committee will become second to none.

QUESTIONS WHICH FURTHER DEVELOP PERTINENT MATERIAL

Q. You said there was formidable resistance from two administrations to the concept of P.L. 480. Could you elaborate?

A. ICA, predecessor of USAID opposed it because of the fear that it would jeopardize its appropriated funds. State opposed it for the same reason and further that the surpluses were shameful and the result of bad farm programs and the way to correct the farm programs was to let the surpluses pile up until we drowned in them. Commerce thought that the act would increase exports of food at the expense of industrial exports which were the nations balancer of international payments. Treasury thought it would be impossible to have exports paid for in two currencies. It feared that more and more exports would be paid for in local currencies. The Budget Bureau thought the only way to solve the surplus problem was to let them back up until we drowned in them.

Q. You said there were short comings. To what did you refer?

A. Had the act functioned as the framers intended, there would now be a $15 Billion revolving loan fund to "develop" agricultural trade, on a multilateral basis. This means to increase the production of food and export potentials.

Q. You referred to Agri-systems—could you elaborate briefly?

A. There is great difference between F&A technology and agri-systems in which that technology can be applied to increase food production, and to reduce

production and marketing costs. There is need now to devote some national effort to developing agri-systems to help solve domestic F&A problems and sell them abroad.

Q. Are you proposing that export of these agri-systems be funded under P.L. 480?

A. No. Only to the extent of farm products included. These would be dollar loans.

Q. Would these packaged agri-systems duplicate the technical assistance the US offers via USAID and multinational bodies?

A. No. These will be private businesses and will include no more technicians than will be needed to run the business profitable.

Q. Could you illustrate some agri-systems you think would implement the proposals you have made?

A. The first agri-systems were sugar production systems exported by colonial powers in the 18th century. These were followed by vegetable oil systems and others. Poultry systems were developed in the USA about 1930. These revolutionized poultry production throughout the USA and were exported to many countries and formed a basis for rapid expansion of feed grain exports after WW II. Pig systems were developed in the 1960's. The British developed a unique vegetable production system in Africa during WW II.

More sophisticated agri-systems have been developed since. There are agri-systems to apply where water, or where fertilizers, or where transportation or storage or markets limit production—beef and diary systems which convert grass and waste feeds into food. In addition they become virtual fertilizer factories within a system. The technology is availabe for many more agri-systems. When they are developed they can be replicated in the USA and exported to help solve F&A problems.

Q. How did you describe the US cattle industry?

A. "Cattl-astrophy."

Q. How could agri-systems and P.L. 480 offer help?

A. Beef systems are established in modules. Each module has a thru-put of 10 tons of kitchen-ready beef per day. Each module is programmed so as to commence exporting 10 tons of kitchen-ready beef per day. Cattle exports are programmed simultaneously at a rate that will cycle the indigenous herd after 36 months of operation. It will thereafter produce 10 tons per day of kitchen-ready beef indigenously.

Q. Mr. Garnett, are you personally, or your company, interested in exporting these beef systems?

A. No, Sir. We do not have the resources.

Q. Do you have more information on beef systems which you could submit for the record?

A. Yes, Sir. I will submit something.

Q. India was the only recipient country that you mentioned. You implied that India had great untapped agricultural potentials. Are your views shared by others?

A. Yes, Sir. But such a large amount of money is involved, I think a new breed of investigators should hypothecate my observations and determine whether or not I am right.

Q. What needy countries have you visited who have received P.L. 480 food shipments?

A. I have visited all Title I countries.

Q. In what capacity?

A. As Administrator of Foreign Agricultural Service, as Vice President of Pan American World Airways, and as a private businessman trying to sell packaged agri-systems.

Q. Did you succeed in selling the packaged agri-systems?

A. I had some success, but more failure.

Q. Did you have support from any agency.

A. None, Sir.

Q. Are you in the business now?

A. Not selling agri-systems. However, we are involved in a one module "Coordinated Beef System" in the Canary Islands of Spain. If there were an export cattle and beef program such as I proposed last August, we would consider several modules for Spain. I think there are opportunities for the sale of 20 to 30 modules elsewhere.

Q. Would you like to go back into such a business if there were a suitable program?

A. No, Sir.

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Emergency—Cattle Industry Improvement Program

Situation—

1. Cattle industry loss in last 7 months estimated at ±$5 Bil.
2. Projected loss ±$250 Mil p. mo., ±$3 Bil. p.a.
3. Retarding effect on US economy estimated at ±$20 Bil p.a. This results in ±$4 Bil. p.a. revenue loss to US Gov't.
4. Traditional cattle farms and ranches are being decimated. Will have far reaching and long lasting destructive effect on US economy & society.

Need—Remove 100,000 hd p. mo. from pipeline of cattle and beef for next 12 mo.

This Program—is to export 40,000 hd/mo as calves, cows & meat—40% of number required. Program based on Garnett Coordinated Beef Systems concept, started by modules, each with meat production of 10 T/D and requiring ±27,000 hd to stock. (Description of Garnett CBS on request.) Features of program:

1. Implementation by modules of 27,000 hd with 10 T/D of meat/da thruput but with military organization concept which may be broken down to smaller operating units, for example:

20 finishing units, 200 hd each	$12 Mil. of meat export on 5 yr. credit will fund start-up of one module in 12 months.
30 growing units, 200 hd each	
70 cow/calf units, 200 hd each	

Note: One module is the smallest practical unit to start and manage.

2. Implementation: Private enterprise with few exceptions.
3. The object of the program is to export beef and cattle as expeditiously as possible, with maximum fiscal responsibility and maximum market impact.

The beef can commence to move within 2–4 weeks after the program is announced. Cattle can move 6–10 weeks after announcement.

Credit for cattle sales should permit the purchase of animals immediately, to be held "in bond" for export, with suitable safeguards.

Program—for each module: (ten modules needed).

1. Export ±$12 Mil worth of fabricated frozen beef, within 9 mo., to foreign buyers, on credit up to 5 yrs, with repayment guaranteed by acceptable banks, provided that the proceeds of meat sales are used: to buy US feeder calves; to buy US heifer calves, cows and bulls; to buy facilities, requisites and services (limited to 15%).
2. Limit program to countries which do not export beef.
3. Limit program to private companies (including joint ventures with Americans) who submit plans which assure adequate:—Management and health; feed and water; market for beef.

Impact of Program.—The start-up of each module will clear the US market of ±23,000 hd as meat and 27,000 hd as feeder calves, cows and heifers for a total of ±50,000 hd per module funded by a $12 Mil. 5 year loan (±$240/hd). Ten modules will clear the market of ±500,000 hd and will require funding of $120 Mil. Thus ±$120 Mil. in loan authority for 5 years will clear the US market of 40% of its "overhang" and make the remaining 60% quite manageable.

Funding of Program.—No new programs are needed. The funding should not come from any one source. Several existing programs can be coordinated to achieve the results.

The Private Trade Agreements Programs, authorized under Sec. 107 of P.L. 480 has been utilized successfully in livestock production projects. Likewise the CCC Export Credit Sales program has been used and is available for financing to export breeding stock and feeds.

To fund this program, the CCC Board, with the approval of OMB, could make available any amount up to $120 Mil which the Secretary of Agriculture finds cannot be satisfactorily financed by one or more of the following:

Private Banks & Funds	USAID
FCIA	WORLD BANK
EX IM BANK	IFC
OPIC	

Countries in which there are likely buyers for one or more modules:

[1] Spain	Portugal	Syria
[1] Nigeria	Italy	Taiwan
[1] Angola	Balkans	Japan
[1] Iran	Russia	Venezuela
[1] Singapore	Turkey	Carribean
	Chile	Bolivia

[1] Garnett has participating management contracts, or the bridgehead for expansion by one or more modules, under this program. Would be transferred to CBS/US.

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To Implement the Program.—Organize, activate and fund "Coordinated Beef Systems, USA, Inc. (CBS/US)* with $1 Mil, (funded by beef industry and supplemented by P.L. 480 market development funds controlled by USDA) to:

1. Spark-plug implementation of this program and on-going programs, to expand exports of cattle, beef, technology and other requisites therefor, from conception to consumption, via coordination of existing companies, agencies, organizations and institutions.
2. Coordinate state and regional CBS' which will design, manage and supply foreign beef operations. State and regional CBS' will coordinate existing companies, organizations, agencies and institutions, but include a beef council from each Ag college.
3. Coordinate transport, credit and sales efforts and to lease and charter Cattle boats and cargo planes.
4. Coordinate and offer participating management for foreign cattle, beef, marketing and related businesses which appear to be prudent investments.
5. Share expenses with potential foreign partners to design beef operations, project the profits therefrom and form companies, obtain loans and place shares when feasible.
6. Standardize procedures for cattle, beef and requisite exports and for Programming the start-up of foreign beef operations.

Justification for Program.—

1. Reduces cattle loss impact on economy now running at ±$20 Bil. p.a., resulting in a revenue loss to US Government of ±4 Bil. p.a. (Revenue equals 20% of GNP)
2. Bridges US beef supply from surplus in 1974 to potential shortage and higher prices in 1976/7, by maintaining traditional cattle farms and ranches.
3. Program is fiscally responsible, accomplishing objectives with short term, hard loan.
4. Program in the US tradition of using temporary farm surpluses constructively.
5. Improves US balance of payments in short and long term, with cattle, technology and requisites, thus helping to avoid import restrictions.

Additional information from Garnett, Inc.—

1. Description of "Coordinated Beef Systems"
2. "Emergency Program for Domestic Cattle Industry Improvements."
3. Organization, operation, and procedures for CBS/US and projected profits therefrom.

The CHAIRMAN. The next witness is Charles A. Krause, president, Krause Milling Co., Milwaukee, Wis. We are delighted to have you, sir.

STATEMENT OF CHARLES A. KRAUSE, PRESIDENT, KRAUSE MILLING CO., MILWAUKEE, WIS.

Mr. KRAUSE. I have a statement to submit and would like to present a short oral summary, consistent with your 10-minute time limit.

Mr. Chairman, and members of the Committee on Agriculture, thank you for inviting me here today. I am Charles A. Krause, president of Krause Milling Co., headquartered in Milwaukee, Wis. We are one of the leading millers of corn and grain sorghum and operate plants in Milwaukee, St. Joseph, Mo.; and Dodge City, Kans.

I am currently serving as chairman of the American Corn Millers Federation and cochairman of the government liaison committee of Protein Products International, a trade association comprised of producers of high-protein blended foods. However, I am testifying here today only as as president of Krause Milling.

For nearly a decade now, our company has been privileged to play a leading role in the Food for Peace program by producing high-protein, full-nutrition blended and fortified foods for distribution

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overseas. These blended foods have been developed in response to two 1966 amendments to Public Law 480. In 1966, Congress restated the policy of Public Law 480 to include a commitment to " . . . combat hunger and malnutrition," and authorized the Commodity Credit Corporation to pay the costs for enrichment and fortification of foods under title II. A number of specially formulated, low-cost foods have been specifically designed to meet the nutritional needs of peoples in the developing countries.

The first such blended food was CSM. Since 1966, over 3 billion pounds of CSM have been donated to over 100 countries under Public Law 480. CSM consists of precooked cornmeal, soy flour, nonfat dried milk, and soy oil, and is supplemented with vitamins and minerals. It contains 20 percent protein and has a PER of 2.4—3 times greater than regular cornmeal. At a wholesale cost of about 14 cents per pound, 1 pound of CSM per day will meet the daily caloric and nutritive requirements of a growing child.

Other features of these foods which make them so effective are their acceptability and versatility, and the fact that little or no preparation is needed. Blended foods can be formulated to meet special conditions. When a product was needed for areas where fuel was scarce or nonexistent, Instant CSM was developed for distribution in refugee camps, desert, and flooded areas. When nonfat dried milk prices rose sharply, CSB—corn soy blend—was developed. CSB, with a PER of 2.3, approaches CSM in nutritive value, but costs substantially less.

Blended foods, aside from their use in emergency relief programs, have been used most effectively in feeding programs aimed at groups most vulnerable to malnutrition—nursing and expectant mothers, infants, and young children. A typical feeding program administered by a nonprofit voluntary agency like CARE, CRS, or Church World Services, may center around a maternal-child health center or a school lunch program.

Without intending to understate the immense achievements of our emergency feeding programs, it is in continuous maternal and child-feeding programs that the substantial inroads against malnutrition can be best achieved. The U.N. Protein Advisory Group has estimated that nearly 300 million children will suffer from maladies attributable to protein deficiency. Mr. Chairman, the battle against malnutrition cannot be fought on a sporadic basis; real progress depends upon a continuous commitment, including nutrition education and the use of high-protein blended foods.

In this era of limited supplies and rising prices, it is important that the programing of blended foods be emphasized. For example, the processing of blended foods results in less grain disappearance at home, since the byproducts are used in the United States. For every 10 pounds of precooked cornmeal produced for use in blended foods, there are also generated 5 pounds of hominy feed and three-quarters of a pound of corn oil which are consumed here. Domestic employment and taxable revenues which would be diminished if the whole grain were shipped abroad are other benefits to our economy when blended foods are programed.

To determine, first-hand, the impact our feeding programs are having on the problems of malnutrition, I have made five overseas trips since 1969. Other employees of Krause Milling have also traveled extensively overseas. We have encountered a wide variety of programs

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using full nutrition and fortified foods, from the refugee feeding in Biafra during the civil war in Nigeria to the massive feeding programs in India and Bangladesh, which reached several million refugees. You simply cannot overstate the effective manner in which these feeding programs are developed and controlled by the Volags and the Food for Peace office. We repeatedly heard how school attendance increased by 25 to 50 percent when children participated in school lunch programs using blended foods. The teachers noted real improvement in the learning capacity of children regularly having a school lunch. Similar first-hand accounts of other successful feeding programs are outlined in my formal statement.

All the advances toward adequate nutrition in a humanitarian feeding program under title II are contingent upon the steady flow of food. When supplies are curtailed, the battle against malnutrition is set back, sometimes lost, as programs die. The annual report, January 1975, of the Council of Economic Advisors reveals that Public Law 480 shipments fell from 10 million tons in fiscal 1972 to approximately 7 million in fiscal 1973 and to less than 4 million in fiscal 1974. The results, in human terms, are compelling. According to AID figures, the number of those participating in regular title II feeding programs dropped almost 30 percent, from 63.5 million to 45.6 million, between fiscal 1973 and 1974.

Disruptions in supply also have a counterproductive impact here at home. Faced with widely fluctuating monthly procurement levels, producers have difficulty implementing cost-saving, long-range plans. Better production planning would permit more stable work crews, more effective ingredient purchases, and use of available production facilities.

Mr. Chairman, to effectively carry out the humanitarian policy of our Food for Peace program, we must provide for greater supply continuity by rewording the "commodity availability" restrictions of section 401 of Public Law 480. Last year, this committee reported out, and the Senate passed, Senator Humphrey's bill, S. 2792, to add flexibility to section 401 by permitting part of our exportable supply to be used in the Public Law 480 program. Unfortunately, the House of Representatives was unable to act on the measure, and it died.

This year, the committee may wish to add more certainty, as well as flexibility, by providing that a minimum and maximum percentage of the exportable supply of each major crop be available for disposition under Public Law 480. By casting commodity availability in percentage terms as related to total anticipated exports, everyone would be able to develop longer-term plans for distribution, feeding programs, and production. I suggest a minimum figure of 5 percent of anticipated exports as a reasonable minimal commitment of our agricultural abundance. I have no figure in mind for a maximum percentage, but I believe enough flexibility should be incorporated to allow the President to exceed the maximum to meet emergency situations.

A percentage figure would demonstrate the miniscule inflationary impact of Public Law 480. In fiscal 1974, for example, only 2.8 and 1.9 percent of our total exports of wheat and feed grains, respectively, were exported under Public Law 480. The figures for blended foods are even more striking. In fiscal 1974, less than 1/10 of 1 percent of

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our corn and grain sorghum crop went into blended foods used in the Public Law 480 program; or, in other words, less than ½ of 1 percent of our feed grain exports.

The committee might consider, within the percentage for each crop, establishing a percentage to be devoted to the use of blended and fortified foods. I suggest that a minimum of 20 percent be in the form of blended and fortified foods. A similar concept was passed by the Senate last year in adopting Senator Clark's amendment to the Agriculture Appropriations Bill. Although deleted in Conference, the concept was supported in the Conference Committee's report.

This committee should also consider providing for a new transitional sales program for blended foods. This program would be a step up from title II donations for nations net yet able to enter into title I concessional transactions with their limited foreign exchange. Now countries who do make title I purchases feel compelled to maximize quantity by purchasing less nutritious whole grains. This transitional program might provide a range of subsidies depending upon each country's individual circumstances. They would thus be encouraged to buy blended foods, thereby improving the nutrition of their young. In this way, blended foods could compete on a limited basis with whole grains.

Mr. Chairman, I believe the above-outlined suggestions will enable us to more effectively administer our food for peace program. The problems we face in fighting hunger and malnutrition are awesome, but working together, I am confident we can meet this challenge.

The CHAIRMAN. Thank you for a fine statement, and you timed it perfectly. Are there any questions?

Senator DOLE. Just one.

The CHAIRMAN. Senator Dole?

Senator DOLE. You talk about this transitional sale. I do not know whether you were here this morning, but we asked questions of Mr. Bell and one other witness on whether fortified food is being used under title I. How would this transitional sale work? As they indicated, most of these blended, processed, or fortified go under title II. You say it would be a step up from title II, but how would it actually operate?

Mr. KRAUSE. I have tried to sell blended foods under title I, calling on the embassies here in Washington and on governments overseas. These countries desire to buy the greatest number of pounds of food for their people, and they therefore purchase the less nutritious and cheaper whole grains. The suggested transitional sales program might provide some measure of subsidy that would equalize, depending on the circumstances in the particular country, the cost of the blended foods with the cost of the grains for which they might partially substitute. It requires a certain amount of blended foods to support school feeding programs that the voluntary agencies have set up. Therefore, there would be a degree of price equality established between blended foods with all the extra nutrition provided, and whole grains.

Senator DOLE. Are there any efforts made by the Department to encourage certain portions of blended foods be taken with wheat, corn, or whatever?

Mr. KRAUSE. Under title I?

Senator DOLE. Yes.

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Mr. KRAUSE. I think the Department of Agriculture's position has been that they will try to respond to a request for a commodity from the government who wishes to buy. Title I is, and I hope we do not forget it, a market development program, as well as one to provide food for needy peoples under today's scarcity situation.

Senator DOLE. Thank you.

The CHAIRMAN. Are there any further questions?

Senator CLARK. Mr. Krause, your company is a major producer of blended foods under title II. It would seem to me the major single problem under title II has been the changing levels, or lack of continuity. You go in and start a food program in the schools, and next quarter or half, you end it, and go and try to start it the next time, end it again, and so forth. That is a problem in terms of the recipient country. On your end of it, in purchasing these, what kinds of problems does this cause? What are the dimensions of that fluctuation in your company, and how has that affected you?

Mr. KRAUSE. The purchases of corn-base blended foods—and these are purchased on monthly competitive procurements—have ranged from a low of 5 or 6 million pounds a month to a high of 65 million pounds a month. There are great difficulties in making production equipment available when it is needed. Ingredient purchases with this kind of procurement range have been particularly critical in recent years, when we did not know from month to month what the level of programing was to be. While I understand the reasons for the delay in establishing programs, it really is critical to the most effective use of all these foods under title II that we know in advance today what we are going to ship in fiscal 1976. Then commitments can be made with voluntary agencies and the recipient governments so that we can develop the infrastructure and then deliver on the program.

Senator CLARK. That seems particularly important, because you cannot use that for anything else, can you? You do not sell these commodities to anyone else in the United States. Why do you not sell in the United States? Why are those commodities not—is no one interested in buying blended foods here?

Mr. KRAUSE. I think you are buying blended foods more and more in the United States. You are getting more fortification, more enrichment, in all the standard products you take home from the grocery store. What we are trying to develop for overseas shipment under Public Law 480 is a product that can be produced at a low cost, universally applicable to as many different feeding situations as possible, which can be sold at a low price and not trying to develop a special fortified pancake mix on one hand, or a cake mix on the other.

Senator CLARK. One last question. Is there any danger in our developing a taste for blended foods abroad, where that develops in a very extensive way, then those countries not being able to pick that up on their own to develop a self-sufficiency or a partial self-sufficiency to blend their own food?

Mr. KRAUSE. Blended foods are very bland in flavor, so that they are most adaptable to the normal dietary habits of the recipient countries. I would be very pleased to see the recipient countries develop a program of producing their own blended foods. The Government of India is doing just that right now. They are supplementing our title II program with a blended food program of their own. We are helping them, but they are doing some of the processing, some of the blending and putting in some of the ingredients.

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Senator CLARK. Any other country that you know of?

Mr. KRAUSE. Jamaica, under title I, has purchased some blended foods, and is making them into products that are being distributed as some kind of a bread cake in the school lunch program there. The Government of Brazil has also purchased foods for their school program, and is looking at producing them locally.

Senator CLARK. Thank you.

The CHAIRMAN. Thank you, Mr. Krause, for your contributions.

Senator YOUNG. One question.

The CHAIRMAN. Senator Young?

Senator YOUNG. Would the cost of transportation for blended food be much higher than bulk wheat, corn, or soybeans?

Mr. KRAUSE. It is higher, but we are shipping only the edible portion of the grain. So, on a cost to deliver ready-to-consume food, it is comparable. You do not have the byproducts on which to pay ocean freight.

Senator YOUNG. Thank you.

The CHAIRMAN. Thank you very much, Mr. Krause.

[The prepared statement of Mr. Krause follows:]

STATEMENT OF CHARLES A. KRAUSE, PRESIDENT, KRAUSE MILLING COMPANY, MILWAUKEE, WIS.

Mr. Chairman and members of the Committee on Agriculture, thank you for inviting me here today to speak about our Food for Peace Program.

My name is Charles A. Krause and I am President of the Krause Milling Company, headquartered in Milwaukee, Wisconsin. We are one of the leading millers of corn and grain sorghum and operate plants in Milwaukee, St. Joseph, Missouri and Dodge City, Kansas. In mid-1975, we will enter into the soybean processing field upon completion of our new facility in Logansport, Indiana.

I am currently Chairman of the American Corn Millers Federation and Co-Chairman of the Government Liaison Committee of Protein Grain Products International, a trade association comprised of producers of high-protein blended foods. However, I am testifying here today only in my own personal capacity and as President of Krause Milling.

For nearly a decade now our company has been privileged to play a leading role in the Food for Peace Program by producing high-protein full nutrition blended and fortified foods for distribution overseas.

STRATEGIC ROLE OF BLENDED FOODS

These blended foods, like corn-soya-milk and soy-fortified sorghum grits, have been developed in response to two far-reaching amendments to Public Law 480 passed by Congress in 1966. In that year Congress stated that the policy of P.L. 480 included a humanitarian commitment:

". . . to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries."

To carry out this commitment to combat hunger and malnutrition, Congress decided that blended and fortified foods should play a strategic role. Thus, in the same year, Congress authorized the Commodity Credit Corporation:

"In addition to the cost of acquisition, to pay with respect to commodities made available under Title II of the Act costs for packaging, enrichment, preservation and fortification. . . ."

In response to these amendments, Krause Milling Company and other food processors, with guidance from the Agricultural Research Service of USDA, the Nutrition Division in AID, and the National Institute of Health, have developed a number of specially formulated, low-cost foods specifically designed to meet the full nutritional needs of peoples in the developing countries.

The first of these blended foods to be developed and programmed under the P.L. 480 program was CSM, corn-soya-milk. Since 1966 over 3 billion pounds of CSM have been shipped to over 100 countries primarily under Title II of P.L. 480. Developed to meet USDA guidelines, CSM consists of 64 per cent precooked

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corn meal, 24 per cent soy flour, 5 per cent non-fat dried milk, and 5 per cent soy oil, supplemented with a full array of the vitamins and minerals required in a health diet. CSM contains 20 per cent protein and has a protein efficiency ratio of 2.4—almost equal to the 2.5 ratio of non-fat dry milk and 3 times greater than the protein efficiency ratio of regular corn meal.

Mr. Chairman, CSM, like other blended or fortified foods developed for use in the Food for Peace Program is not a magical food; the ravaging effects of malnutrition do not vanish upon one or a dozen servings. But the nutritional impact of these foods, particularly when used in carefully planned, continuous feeding programs, is truly remarkable. For example, at a wholesale cost of about 14 cents per pound, depending upon commodity markets, one pound of CSM per day will support a growing child with his daily caloric and nutritive requirements. The large vitamin A supplement (a vitamin so often lacking in the diets of the malnourished) has dramatically reduced the incidence of night blindness among recipient groups. Similarly, the presence of iron helps in warding off blood disease.

Other features of these products which make them so effective are their wide acceptability and versatility and the fact that little or no preparation is needed before consumption. It was designed as a bland food that could be eaten alone as a porridge or added to familiar native dishes without significantly changing their acceptability. For example, it can be formed into a dough and this property has greatly added to its acceptability. In Latin America, CSM has been used to make tortillas, empanadas, puddings, soups and turnovers. In India, CSM is used to make "dal," a highly spiced puree, "chapittis" and "halva", all traditional dishes flavored with locally supplied condiments. Soy-fortified sorghum grits (SFSG), a blend of 85 per cent dehulled and degermed grain surghum and 15 per cent soy grits, when cooked resembles rice in both appearance and taste. Introduced in 1973, SFSG has met with wide acceptance, particularly in the Sahel areas of Africa and in Asia where grain sorghum is now widely consumed as a food.

Blended foods are flexible and can be formulated to meet special logistical or economic factors. When a product was needed that could be quickly prepared in areas where fuel is scarce or non-existent, an Instant CSM was developed for distribution in refugee camps and desert or flooded areas. Instant CSM is completely pre-cooked and can be added to hot or cold potable water to yield a beverage for small children or a gruel for adults. It is also being widely programmed in take-home feeding programs aimed at pre-school children, which are the top priority category in Title II programs. When non-fat dried milk prices rose sharply, a corn soy blend ("CSB") was developed with the milk in CSM replaced by an increase in the corn meal components. CSB, with a protein efficiency ratio of 2.3, approaches CSM in nutritive value and possesses the same cooking characteristics, but costs substantially less than CSM.

HUMANITARIAN FEEDING PROGRAMS UNDER TITLE II

In the Food for Peace Program, blended foods, aside from their use in emergency and disaster relief programs, have been used most effectively in feeding programs aimed primarily at those groups most vulnerable to malnutrition—nursing and expectant mothers, infants, and young children. A typical feeding program administered by a non-profit voluntary agency like CARE, Church World Service, or Catholic Relief Service may center around a maternal child health center (MCH) where the mother receives the blended foods product, is taught how to prepare and serve it and is also taught the basic rudiments of sound nutrition. School feeding programs are also another common vehicle for the serving of blended foods. In India, the government, as a national policy, is committed to giving every child a school lunch and is making a substantial financial contribution on both a state and federal level to achieve this goal. Voluntary agency workers administering school lunch programs in India and other countries have found the learning capacity of children increases dramatically when they are served blended foods at school on a regular basis.

Without intending to understate the immense achievements of our emergency and disaster relief feeding programs, it is in regular, continuous maternal and child-feeding programs that substantial inroads against malnutrition can be best achieved. The United Nations Protein Advisory Group has estimated that 300 million children in developing countries will suffer from maladies attributable to protein deficiency, including retardation of physical and mental growth. A September, 1974 GAO report to Congress estimates that in the developing countries, 30 per cent of all children die before reaching their fifth birthday, and most of these fatalities are attributable to chronic malnutrition which not only

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makes a child more susceptible to disease but diminishes his recuperative abilities. Mr. Chairman, the battle against malnutrition cannot be fought on a sporadic and intermittent basis; real progress depends upon a multi-faceted and continuous commitment, including nutrition education and the use of high-protein blended foods.

Your re-evaluation of our Food for Peace Program is most timely in this new era of limited supplies and rising food prices. In this period it is particularly important that the programming of blended foods be emphasized. For example, the processing of blended foods results in less grain disappearance at home since the by-products are used in the U.S. market. For every 10 pounds of precooked corn meal produced for use in blended foods, there are also generated as by-products five pounds of hominy feed and three quarters of a pound of crude corn oil, both of which are consumed here in the U.S. Production of processed foods adds to domestic employment and increases taxable revenues which would be lost if the whole grain were shipped abroad. Moreover, in shipping blended foods better utilization of transportation results since only the eidble product is transported. Finally, since these are special purpose foods for target groups, they move through specific channels and distribution points, thus avoiding regular commercial channels.

Mr. Chairman, as a representative of one of the leading producers of blended foods used in the P.L. 480 program, I do not appear as a "disinterested" witness on this subject. However, after attending the World Food Conference in Rome and travelling and listening to the grim statistics about the widening food shortage in the developing countries, I have become more convinced than ever that blended foods are not only good business, but represent sound policy in our food assistance programs.

In an attempt to determine, first hand, the impact of our feeding programs on the problems of malnutrition and hunger, I have made five overseas trips to recipient countries since 1969. In addition, other officers and employees of Krause Milling have traveled extensively overseas.

In our travels, we have encountered a wide variety of programs using full nutrition and fortified foods, from the refugee feeding in Biafra during the civil war in Nigeria, to the massive feeding programs in India and Bangladesh which reached several million refugees during the latter country's struggle for independence. Continuing as a model effort is the structured CARE School Lunch Program in India which distributes fortified food to some 10 million school children. Several years ago in the Philippines the Catholic Relief initiated a program in which the feeding of nutritious foods and nutrition education were brought together, and this type of program has spread to other countries.

You simply cannot overstate the effective way in which these feeding programs are developed and controlled by the voluntary agencies and the Food for Peace Office. One illustration will give you an idea of the management expertise that is employed. During my first trip to India in 1969 we were traveling across northern India by jeep. At one school we checked the records of inventory and usage, maintained daily by the headmaster, and then went back to check the stocks. Not only was the inventory accurate to the bag but it even indicated that about 30 pounds would be left in one 50 pound sack. We weighed the bag and found it was within two pounds of the inventory figure. This was at a CARE-managed midday meal program in a school that was feeding 150 children daily. The distribution controls and inventory management system would be a credit to the most sophisticated information system in this country.

In all of our travels, we repeatedly heard how school attendance increased by 25 to 50 per cent when children knew a midday meal program was operative. The teachers noted definite, measurable improvement in the learning capacity of children regularly having a school lunch.

In March of 1972 I made my first trip to Bangladesh just a few months after the war ended. Here two voluntary agencies worked closely together to deliver Instant and Instant/Sweetened CSM to the young children: UNICEF was the agency responsible for distribution in the emergency period immediately following the war, but lacking sufficient personnel experienced in feeding programs of this kind they hired from CARE, on a lend-lease basis, key personnel to develop and manage a distribution infrastructure for all of the districts in Bangladesh.

When I returned to Bangladesh a year later, food was flowing into all areas and some 1,500,000 children were being fed daily with Title II blended foods in 2,788 feeding centers. We heard numerous stories of miraculous recovery from night blindness due to Vitamin A deficiencies as well as increased school attendance. The Instant CSM was simply mixed with cold water and made into a giant ball, like a snowball, which the children ate.

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On a visit to the Philippines in 1972, I visited a Catholic Relief Service Maternal Child Health Center outside Manila. The children, primarily preschoolers, would come daily to the center with their mothers and participate in a special nutrition education program. The mothers learned in a graphic way through lectures and pictures, why protein and a balanced diet were necessary for the good health of their children. Demonstrations of various ways to prepare CSM by incorporating it into local dishes were shown to mothers. These Maternal Child Health Care Programs were reaching 1,750,000 young people in the Philippines at that time and, in part, are responsible for making adequate nutrition one of the highest-priority objectives of the Philippine government today. Just recently a nutrition center has been built by the Philippine government at a cost of over one million U.S. dollars. The nutrition and child feeding programs initiated by the American Volags and supplied by Title II blended foods certainly contributed significantly to this development.

In Africa and Latin America, Catholic Relief Service, Church World Service and CARE have all made use of a simple yet effective technique of showing mothers how the health of their youngsters improves when they are properly nourished. Each mother is given a chart showing the weight of her baby. Preprinted on the chart is a line showing the proper weight for a child of a given age. The child is weighed at frequent intervals and the new weight entered on the graph. For children consistently fed full-nutrition and fortified blended foods the gap between the child's weight and the target line narrows dramatically. Sometimes the cards are given to the mothers to keep, other times they are posted on the walls of the nutrition center for all to compare. The dramatic improvement in the health of most of the children brings home the great value in human terms of our Food for Peace Program. Similarly, you can't help feeling personally involved when you see a chart stop abruptly due to the death of the child. In many cases, death is caused by a disease not associated directly with malnutrition but certainly a child's chances of conquering disease is lessened if he is undernourished.

It is these on-going, well-developed programs with a significant input and commitment from the recipient countries that represent the very best in our humanitarian food aid programs. Naturally we must respond quickly to emergency situations when they arise. However, it is in these continuing, established programs that food can best be used as a development tool that will have long range and far-reaching implications for the future well-being of the people involved.

ASSURING SUPPLY CONTINUITY FOR ESTABLISHED FEEDING PROGRAMS

All the advances toward healthy nutrition in a humanitarian feeding program under Title II are contingent upon the steady flow of food into that program. When supplies are curtailed or interrupted, because of "commodity availability" restraints, wage-price or export controls, commodity selection of unfortified foods to save money, or simply because of the diminished buying power of the foreign aid dollar, the battle against malnutrition is set back, sometimes lost, as programs die. This Committee is of course painfully aware of the recent trend in the levels of donations under Public Law 480. The President's recent *Annual Report to Congress on Agricultural Activities under Public Law 480* reported that:

"In calendar year 1973 exports of agricultural commodities under Public Law 480 were valued at approximately $750 million. This is a decrease, in terms of value, of about 30 per cent from the previous year [1.1 billion] and is the lowest level of shipments since 1954, the first year of the program."

Because of the impact of inflation, dollar amounts do not tell the full story of our decreasing shipments under Public Law 480. The *Annual Report, January 1975 of the Council of Economic Advisors* reveals that Public Law 480 shipments fell from 10 million tons in fiscal 1972, to approximately 7 million tons in fiscal 1973 and to less than 4 million tons in fiscal 1974.

The results, in human terms, are compelling—according to AID figures, the numbers of those participating in regular Title II feeding programs dropped almost 30 per cent, from 63.5 million to 45.6 million between fiscal years 1973 and 1974. During that period participants in the maternal child feeding program dropped from 14.4 to 11.4 million; those in school feeding from 36 to 25 million and those in food for work from 11 to 8 million.

The results of these curtailments are particularly devastating on infants and young children, those most vulnerable to malnutrition. School attendance falls. Children who do attend classes exhibit diminished learning capacities; night blindness and other malnutrition-related diseases increase and the physical

and mental development of millions of children is slowed. In food for work programs, much needed projects like the construction of irrigation systems and roads, necessary for a country to improve its agricultural output, go unfinished or the completions are delayed. The curtailment of feeding programs also leads to the dismantling of an infrastructure developed by a voluntary agency in which local administrators are trained in the techniques of food distribution, health care and nutrition education.

Disruptions in supply also have a counter-productive impact here at home. Faced with widely fluctuating monthly procurement levels, producers are unable to formulate any cost-saving, long-range plans. If such planning were possible, production costs could be lowered due to stable work crews, more effective ingredient purchases, production scheduling to minimize overtime and better use of available production facilities.

ADJUSTMENTS NEEDED FOR THE FUTURE

Mr. Chairman, it now seems clear that if we are to effectively carry out the humanitarian policy of our Food for Peace Program—". . . to combat hunger and malnutrition and to encourage economic development in the developing countries" we must provide for greater supply continuity and flexibility by rewording the "commodity availability" restrictions of §401 of Public Law 480. This provision currently prohibits the disposition of any commodity under Public Law 480 where this would reduce the supply of that commodity below that needed for domestic requirements, adequate carryover, and anticipated commercial exports.

As you know Mr. Chairman, this Committee reported out, and the Senate passed, in the closing days of the last Congress, Senator Humphrey's bill, S. 2792, which would have added much needed flexibility to §401 by permitting part of our exportable supply to be used in the Public Law 480 program. The Administration also had proposed a bill similar to the one introduced by Senator Humphrey. Unfortunately, in those hectic days of the last session, the House of Representatives was unable to act on the measure and it died.

In again considering an amendment to §401 this session the Committee may also wish to consider whether more certainty as well as flexibility should be incorporated into a commodity availability provision. I am suggesting that a minimum and maximum percentage of the exportable supply of each major crop or commodity be available for disposition under Public Law 480.

By casting commodity availability in percentage terms, as related to anticipated exports, everyone concerned—recipient countries, voluntary agencies, domestic producers and our program administrators would be able to develop longer term plans for distribution, feeding programs and production. I suggest a minimum percentage of perhaps 5 per cent of anticipated exports as a reasonable minimal commitment of our agricultural abundance. Since exports of feed grains are approximately 20 percent of our total production, a 5 percent minimum figure would constitute about 1 percent of our total feed grain production. In any event this minimum percentage concept would not exceed statutory authorization levels currently provided for in Public Law 480. Regarding a maximum percentage, I have no set figure in mind, but I believe enough flexibility should be incorporated in the provision so that the President could exceed the maximum to meet emergency situations.

A percentage figure would demonstrate also, that our P.L. 480 program actually has a miniscule inflationary impact. In calling for an amendment to § 401 last year, the administration observed that a greater flexibility would have "* * * little impact on the total supplies of any commodity, as quantities exported under Public Law 480 represent very small proportions of supply and total exports for most commodities." The administration stated that in fiscal year 1974 only 2.8 and 1.9 percent of our total exports of wheat and feed grains respectively, were exported under the Food for Peace Program. The figures for blended foods are even more striking. Using statistics from the Commodity Credit Corporation and the Economic Research Service of USDA, our company computed that in fiscal 1974, less than one-tenth of one percent of the U.S. corn and grain sorghum crop, or, less than one half of one percent of our feed grain exports went into blended foods used in the P.L. 480 program.

Thus, the committee might also wish to consider, within the stated percentage for each crop, establishing a percentage which should be devoted to the use of blended and fortified foods. I suggest that a minimum of 20 percent of the allocation for each crop be in the form of blended and fortified foods. As you will recall, a similar concept was passed by the Senate last year in adopting Senator Clark's

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amendment to the Agriculture Appropriations bill. Although this provision was deleted by the Conference Committee, the concept was supported in the Committee Report.

Another subject which this Committee should consider I believe, is providing for a new transitional sales program for blended and fortified foods. Such a program would be a step up from Title II donations for nations not yet able to enter into Title I full commercial transactions with their limited foreign exchange. Now countries who do make Title I purchases, while realizing the nutritional benefits of blended foods, feel compelled to maximize the quantity of foods they buy by purchasing cheaper, but less nutritious whole grains. Such a program might provide a range of subsidies depending upon each country's individual circumstances. They would thus be encouraged to buy blended foods thereby improving the nutrition of their young. In this way, blended foods would be able to compete on a limited basis, with whole grains.

Mr. Chairman, the above-outlined suggestions, I believe, will enable us to more effectively administer our Food for Peace Program. As you know, the problems we face in fighting hunger and malnutrition and in helping countries improve their agricultural production are awesome ones, but working together, I am confident that we can meet this challenge.

The CHAIRMAN. The next witnesses are, I believe, appearing en bloc: Mr. James J. Norris, chairman, American Council for Voluntary Agencies for Foreign Service, New York, N.Y; Mr. Fred W. Devine, deputy executive director, CARE, in New York; Mr. Edward M. Kinney, assistant to the executive director, Catholic Relief Services, U.S. Catholic Conference, New York; Melvin B. Myers, director, material resources, Church World Service, New York.

STATEMENT OF JAMES J. NORRIS, CHAIRMAN, AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, NEW YORK, N.Y.

Mr. NORRIS. Thank you, Mr. Chairman. It sounds like the four horsemen, but it really is not. We also have with us Mr. Leon O. Marion, executive director of the American Council of Voluntary Agencies for Foreign Service.

I am James Norris, and I serve as chairman of the American Council of Voluntary Agencies for Foreign Service. My statement is a brief one and general in nature, with three recommendations.

The distinguished chairman and Senator members of this committee are well aware of the programs of the voluntary agencies in overseas countries in the fields of health, agriculture, nutrition, self help, and development; and I think there is no need to repeat the fact that the agencies, as a group, religious and nonsectarian, represent a broad constituency. And this is the way in which the American people show their compassion and concern for people abroad. On many occasions, we have testified about the importance of food aid, and especially in recent years, food for development and maternal-child health. We know well that the food aid has saved countless lives, reduced malnutrition, and has helped the poorest people work toward self-sufficiency. The voluntary agencies have a special concern about helping women in development, because we know the rural woman is probably the most discriminated against, and the one who needs the most services. It is the voluntary agencies that are able to do a great deal for these peasant women, who are in such an unfortunate state.

Food aid has always been a valuable vehicle for the voluntary agencies at the grassroots level in promoting self-help initiatives and in narrowing the gap between the rich and poor. My first recommendation, Mr. Chairman, concerns the fact that we deplore the

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great reduction in humanitarian food in recent years. Last year, the year of starvation and famine, we saw a reduction of food aid to one-half of what it was in 1972. So our recommendation is that, at the very minimum, there be a return at least to the fiscal year 1972 volume of commodity level.

Our second recommendation concerns the radical and sudden lowering of commodity levels that result in nutritional harm, waste, and program disruption. The food programs of the voluntary agencies are developed over long periods of time, in coordination with voluntary agency staff, local counterpart agencies, the host government, the recipients themselves, as well as large numbers of local volunteers who help their own people. We continue to advocate a long-range, multiyear Government food-aid planning system, which is desperately needed in order to enable us to maintain program integrity.

Access to food is a basic human right, and sharing this food, to us, is a great challenge. The question is not whether we can give more, but whether we can afford not to give more. We are well aware of our own domestic problems, but our situation must be seen in a global context.

Our third recommendation, Mr. Chairman, comes to you as Members of the Congress, who have urged that the United States participate fully in efforts to alleviate current and future food shortages threatening the world. We feel—and this is our recommendation—that this can be done by supporting both the spirit and the letter of the World Food Conference, where it was shown once again that America, as the richest Nation and with the greatest control over life and death for many, through its food and other resources, must provide leadership in the works of peace that will overcome hunger, misery, and poverty in the poor lands of the world. Positive action at this time by our country will be a reaffirmation of our tradition of humanitarian concern for people who are in need, wherever they may be.

Mr. Chairman, I have not heard the Bible quoted here today, but I think it is customary to mention the Bible. There we read about the rich man dying, engulfed in flames, begging Abraham to send Lazarus, to dip his finger in water to cool his tongue. Abraham replied that it was too late, the great gulf had been fixed between them. Let us resolve that we, while we have it in our power, will narrow that gulf by our compassion and generosity. We have listed our recommendations on our statement.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Please proceed.

Mr. Myers.

STATEMENT OF MELVIN B. MYERS, DIRECTOR, MATERIAL RESOURCES PROGRAM, CHURCH WORLD SERVICE, NEW YORK, N.Y.

Mr. MYERS. My name is Mel Myers, Church World Service, and I ask that the statement that I submitted be included.

The CHAIRMAN. Without objection, it will be inserted in full in the record.

Mr. MYERS. I would like to highlight several points in it; four suggestions. But first, I would like to point out the fact that the American churches of which the National Council is composed, and individuals, are deeply concerned about world hunger; and so far this year, out of

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non-Public Law 480 resources our shipments of food. wheat from North Dakota, Nebraska and Oklahoma, and beans from Michigan, and cash donations have enabled us to ship three times as much non-Public Law 480 food so far this year than we did in all of last year. Right now, one denomination alone has authorized us to secure $500,000 worth of fertilizer and ship it to India.

We have four suggestions to make toward moving Public Law 480 beyond food aid into a broader instrument for the self-development of people. First, we suggest that new legislation include fertilizer along with food as a Public Law 480 commodity. This, with the realization that fertilizer placed in the hands of farmers on the village level in developing countries where we, and other agencies, are at work, will increase local food production.

Second, increased shipment of non-Public Law 480 foods by our agency and others is putting severe pressure on the already limited AID budget for ocean freight reimbursement of voluntary agencies for non-Public Law 480 materials, and we therefore suggest the incorporation into new Public Law 480 legislation of a provision for the reimbursement of ocean freight, not only on Public Law 480 food but also on food supplied through donation of the American people and the fertilizers secured through these same sources of donations. Third, we would endorse what Mr. Norris has already referred to, the suggestions and resolutions of the World Food Conference, particularly Resolution 18, a copy of which is attached to this statement.

And finally, the possibility might also be considered of allowing the use of funds under a grant of Public Law 480 funds, for the purchase of agricultural hand tools, irrigation pumps, and other implements and materials that would enable the poorest farmers in a developing country to increase their own agricultural productivity.

We recognize the fact that section 204 funds are available. But these are only available in certain countries, and not in the ones in which the need may be the greatest. These suggestions are designed to make Public Law 480 legislation a more effective instrument for food production and development. They are fully in keeping with the thrust of the World Food Conference. The apparent increase in pressure for political use of Public Law 480 is of serious concern to this agency. We look upon the growing public support of private, voluntary agency assistance as an encouragement for the strengthening of the humanitarian aspects of Public Law 480.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you Mr. Meyer.

Mr. Devine.

STATEMENT OF FRED W. DEVINE, DEPUTY EXECUTIVE DIRECTOR CARE, NEW YORK, N.Y.

Mr. DEVINE. Mr. Chairman, I am Fred Devine. We do not have a printed statement at the moment. We would like permission to submit one at a later time.[1]

The CHAIRMAN. Without objection, you may submit it for the record.

Mr. DEVINE. I might make a short statement on behalf of CARE and Mr. Goffio, our executive director, who was to be here according

[1] See p. 846.

to the agenda, unfortunately could not attend. But he wished me to report to the committee that CARE, as one of the voluntary agencies, has been using the Public Law 480 Title 2 commodities, ever since the act became available to us. Basically, our programs are in the area of maternal-child health, preschool-age children, school-age children, and food-for-work type programs. Up until 1972, we were feeding about 28 million children worldwide in some 34 countries. Today, based upon AID anticipated approval, those programs have been arbitrarily reduced to 18 million recipients. I say arbitrarily because the reductions are made by the subcommittee of the ISC without consultation of the voluntary agencies, so that it makes us very, very vulnerable in dealing with recipient governments when we request them to provide a great deal of their resources, both material and manpower, in support of these programs.

We are very heavily involved in school lunch programs worldwide. We tend to feel that utilization of food in the school lunch program is of the utmost importance, primarily because, without an educated population, any development moneys that are made available will have a great deal of difficulty in being properly utilized. We also tend to feel that if the concern is as it should be in the area of nutrition, then where the child is, and where he is a captive audience—which is in the school—nutrition ought to be taught there. Most of our programs are targeted in that area.

We quite frankly feel that, by and large, we would like to recommend the support of what Mr. Norris presented, a multi-year planning, and the volunteer agencies would receive at the beginning and end of each crop year a certain tonnage of commodities across the board. That could be programed so that we would have targeted programs that we might have in a phase-out situation over a 4 or 5 year period. As it operates now, we are in an ad hoc situation. The programs are presented and approved annually by AID. This will obviously make it extremely difficult, as it has in the past, for recipient governments to plan on contributing more and more to these programs, primarily because they do not know how much the voluntary agencies can contribute to these programs as they begin to match the contributions.

It was questioned this afternoon, as to what are these governments doing by way of indigenous foods? In the case of India, there is the bala ha, which is the food that is fabricated in India. Mr. Frank Ellis, who was here, might be considered to be the father of that product. In Ceylon, there is a thriposba, which is also a weaning food which is going to be on the market this year. In Chile, there is a product called Superchill, for some strange reason. That, too, is a local product that is fabricated. Most every country is more and more becoming involved in fabricating or formulating an indigenous food that will be made available, hopefully at an inexpensive price, to the poorest of the poor; and I would like to recommend that what we ought to consider is not how a government gets out of a program, but unlike a government-to-government title I program, the title II programs are geared toward, and reach, the poorest of the poor. And those ought to be, and certainly are, our most serious concern.

The CHAIRMAN. Thank you, Mr. Devine.

[The prepared statement of Mr. Devine follows:]

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STATEMENT OF FRED W. DEVINE, DEPUTY EXECUTIVE DIRECTOR, CARE, NEW YORK, N.Y.

CARE is an organization that was created in 1945, through the understanding and the cooperation of 26 independent American voluntary agencies. It was created for the sole purpose of rendering assistance, mainly in the form of food, without regard to race, color or creed, to those individuals and families who were suffering in the aftermath of World War II. The purpose of CARE remains the same today, and the major instrument used over the course of the past twenty years to accomplish that purpose has been the distribution of food commodities made available under Title II of PL 480. Since the enactment of that law CARE has distributed approximately six million tons of commodities in over 40 countries, to hundreds of millions of needy beneficiaries. While it is not possible to provide detailed statistics it is certain that the distribution of this food has averted death through starvation for thousands of these recipients, and has reduced the crippling and stunting effects of malnutrition for additional hundreds of thousands of children. Food distributed in Food-for-Work projects has resulted in improved life conditions for many others, by advancing the economic development of areas and by improving the physical environment. The experience of CARE over the past twenty odd years, in the distribution of these foods, has given us a unique opportunity to evaluate the effectiveness, both real and potential, of Title II of PL 480, as well as to guage the wishes of the American people with regard to the provision of such assistance on a people-to-people basis.

It has become increasingly clear that the assistance provided under Title II must be classified into two categories—that which is provided to governments and which is largely based on political considerations, and that which is provided to needy people and which is based on humanitarian considerations. What is of concern to us today is the clear evidence of the increasing importance which is being placed on support to governments, and the reduced importance being accorded to helping people because of humanitarian concerns. It would be our observation that this trend runs directly contrary to the wishes of the American people. We are currently in a period where for a variety of reasons the need for food assistance from the United States is greater than at any time in the past twenty years, and it is during this time that the Agency for International Development has adopted a policy of reducing the food assistance provided under PL 480. The increasing emphasis on support of governments with the reduced amount of food available has greatly reduced the amount and effectiveness of our humanitarian assistance, and has raised questions in many quarters with regard to the sincerity and the depth of the American commitment to humanitarian aid. We believe that the remedy for this situation is to establish, preferably through legislation, a condition which will separate assistance based on humanitarian concerns from assistance provided for any other reasons. Along with the establishment of this condition there must be an elevation in the priority and importance assigned to humanitarian assistance, in order that these types of programs may compete on an equal basis for the food commodities available.

A second factor which has retarded the effectiveness of the Title II programs has been the lack of any commitment of a specific quantity of commodities to be made available over any extended period of time. This has prevented both the voluntary agencies and host governments from formulating plans for program activities which extend beyond one years' operation. With the emphasis on development and the development tool which is available in the form of Title II foods distributed as part compensation for labor performed in work projects, it is an absolute necessity that programs be based on multi-year periods in order to allow for development objectives to be achieved. CARE has recently introduced a Multi Year Planning System into its own operations and this has demonstrated very clearly the drawbacks and disadvantages which result from an inability to commit foods for any period beyond one year. We would suggest the necessity for a multi-year commitment for a specific quantity of commodities to be made available for Title II programs, with the added stipulation that this commitment be on a poundage basis not to be affected by fluctuations in commodity costs. It should be mentioned here that the current requirements of all voluntary agencies Title II programs represent only a small percentage of the total wheat and feed grains produced in the U.S. during an average production year. It is extremely unlikely, therefore, that commitments of commodities for Title II distribution by voluntary agencies could have any discernible effect on commodity costs to consumers in the United States, or affect our balance of payment situation significantly.

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We believe, also, that substantial advantages could result to the U.S. Government from a reappraisal of its current perspective on voluntary agencies in the operation of Title II feeding program. The voluntary agencies now have a force of experienced and competent administrators in each of the countries in which they operate, along with an intimate knowledge of local conditions and in most cases, a close relationship with key Ministers and members of the host government. It would seem that these attributes might warrant a more serious consideration of recommendations made by voluntary agencies with reference to program directions and management. A fuller appreciation of the inputs which all of those involved with the program can make to those decisions affecting program levels, content, or continuation, should result in programs which more nearly meet the aspirations of the U.S. Government, the host government and the involved voluntary agency.

The CHAIRMAN. Mr. Kinney.

STATEMENT OF EDWARD M. KINNEY, ASSISTANT TO THE EXECUTIVE DIRECTOR, CATHOLIC RELIEF SERVICES, U.S. CATHOLIC CONFERENCE, NEW YORK, N.Y.

Mr. KINNEY. I am Edward Kinney, assistant to the executive director, Catholic Relief Services.

I would like to support and endorse the testimony of my colleagues. Before I go into the broad aspects of my own testimony I would like to define humanitarian aid if I may, in the sense I use it, which is directed to the human being as a person. We heard a flexible definition this morning that reminded me of the old song. When you put the music in here, you put the political or national security in here, and the music goes out and around and it comes out humanitarian.

I am not talking about that kind of humanitarian because most of our governments have a humanitarian aspect to it. I am talking about those programs that are manned by the agencies on a voluntary basis; that have as their prime and foremost aspect helping the human being. They are conducted by agencies, not nations, not power blocs, but by people, in the instance of food aid which we are talking about, hungry people.

A little bit of background about my agency. We have been in food distribution since 1949. In the early sixties, our shipments in the middle sixties reached about over 800,000 tons a year. We have helped about 28 million needy men, women, and children with our program. Like Church World Services, over the years we have purchased a substantial amount of quantities of specialized food, provided additional supplements. We have also been favored with contributions of food and funds from other governments and private sources, not only here in the United States, but in Europe and more recently from the European Economic Community.

What has attracted so much support to voluntary agencies is twofold: the ability of the agencies to reach the economically deprived directly, and at a minimum cost; second, the capacity to create indigenous structures virtually at the grass roots level for the organization and operation of the kind of programs that enable the helpless to help themselves. But these programs, over the years, have been undergoing a change. In a real sense, the humanitarian aspects of voluntary food aid as administered by these agencies have been regulated out of existence.

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The political considerations seem to have loomed larger and larger, and it is my thesis that these yardsticks which should be applied to official government-to-government programs should not be applied to people-to-people programs.

The situation is a part of a larger problem, the necessity of restructuring Public Law 480, which is one of the reasons why I am so delighted that this committee is giving its attention to Public Law 480, so that that which is obviously politically motivated and structured cannot be programed or labeled against the funds as humanitarian. I would hope that the consideration would be given to setting up of a separate section of the act which would apply to the humanitarian programs as administered by America's voluntary agencies and to them alone.

Last July, in testifying before the Senate Committee on Foreign Relations, I pointed out that the present title II program guidelines precluded the utilization of U.S. Government-donated foods to feed the hungry except under dire emergency conditions, unless (a) they are pregnant or lactating mothers with children under five, (b) they are able to participate in food-for-work programs, or (c) they attend a day school of secondary level or below at which a meal based upon Public Law 480 foods is served. We did get an exception made in the case of India. Even today, however, the guidelines remain the same, and the people who in many instances could use this type of assistance most cannot be the beneficiaries of American humanitarian aid.

Then of course there is the matter of program supply. There is not only the need for continuity but programing on a year-to-year basis. I might say the past year has been really a debacle, really, in programs. The year-to-year program is just a survival kit. That is about all it has amounted to in the last 2 years. We have been living on a hand to mouth basis, trying to administer programs, never knowing when the next shipment of food will arrive. In fact, in many instances, we are unable to tell our people overseas that they are going to receive additional food until it is in our hands. As you know too, some of the commodities that are urgently needed have disappeared from the donation list. Milk, for instance, has disappeared until recently when the voluntary agencies received a one-time windfall of approximately 10,000 tons.

We are securing, however, adequate quantities of blended foods, although CSM is not in easy supply. As long as we have a basic grain, a blended food and we have a vegetable oil, we think we can deliver a nutritious food supplement.

We have to have the three. But we have to have them in time. We have to have an adequate quantity to be able to fulfill the programs that we have planned to carry out.

A lot of work goes into the program as you might expect. It involves not only agencies of the people overseas, it involves the host country governments upon which we depend for duty free entry, in many instances, for inland transport and warehousing. Many of them have simply turned to shambles. We have over a million, Mr. Chairman, we have 1 million mothers participating in Africa alone in maternal and child health programs.

Frankly, we do not know from one month to another how much we are going to be able to supply in the way of food input to carry on

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these programs. There is a real cause for wonder why year after year we seem to be confronted with a policy of containment and diminution. Why is it the programs of the agencies of the people of the United States, voluntarily supported by them, which every President of the United States has showered praise upon and applauded, which I believe the overwhelming number of ladies and gentlemen in Congress also support, at the same time are steadily diminishing in size and in scope. Somebody, somewhere, is out of step.

If these programs are of high impact, and if they are low-cost programs that can deliver right to the hungry person overseas, then why cannot they receive the support they need?

The time lag between food available estimates and actual availability is another problem. So, too, in a real sense, are the procurement practice and the shipping practices of the USDA. I understand the problems they confront, particularly this past year with everybody waiting with bated breath for the administration to decide exactly how much our food aid is going to amount to, not wanting to name any figure until after the World Food Conference.

At the same time, it does seem a shame that these programs which are a relatively small part of our foreign aid, yet so important in terms of the welfare of so many human beings cannot be carried out with more continuity and with more assurance of supply.

There is one additional program need that the agencies have that I would ask this committee to consider. Food aid not only involves immediate assistance to the hungry but also involves the use of commodities in longer range development. In view of the world food crisis, the agencies are putting more emphasis on small farmers in the less-developed countries growing better foods. We have organized these programs year after year as an adjunct to school feeding programs. Today's food supply situation requires that far more be done to lessen the dependency of the people of the developing world on outside sources for basic food. While agencies such as CRS have sponsored broad maternal and child health programs, they have created infrastructures to which millions of rural farmers can be reached. This is particularly true of the situation I know best in Africa.

What Americans' voluntary agencies need is seeds, fertilizers, tools, or the funds with which to purchase them, more importantly, the advice and assistance of competent agriculturists or agronomists. To what extent the committee can help us with this I do not know. I do know the Department of Agriculture has had as an integral part of its organization an extension and marketing service which is powerful throughout the agricultural world.

The CHAIRMAN. Your time has expired.

I want to congratulate all of you gentlemen for the brevity of your remarks and the specific recommendations that you have made.

I am thoroughly familiar with the good job you are doing in this area. Some of your recommendations, I think, are good, and some of them, I think, would be good if we could. One of them is fertilizer. We are in acute short supply in our own country at the present time.

The committee for 18 months has been in a war with the Federal Power Commission.

What percentage of your contributions come from Public Law 480?

Mr. KINNEY. It would be 70 percent food aid.

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The CHAIRMAN. 70 percent from the Government, 30 percent from private individuals?

Would that be true of the rest of you, gentlemen?

What would be yours?

Mr. MYERS. Ours would be roughly 16 percent Public Law 480.

The CHAIRMAN. 40 percent private?

Mr. MYERS. 84 percent non-Public Law 480.

The CHAIRMAN. 84 percent non-Public Law 480?

Mr. MYERS. 16 percent Public Law 480.

The CHAIRMAN. What about your organization.

Mr. NORRIS. The American Council has 43 agencies and Care and CRS handle roughly 95 percent of all the food, so their answers would be a part of our group.

The CHAIRMAN. Do you gentlemen have complete freedom in your host country to see that the distributions go in accordance with need, or does some local take food and then sell it?

Mr. NORRIS. The advantage of voluntary agencies is that they work through missionaries and community groups and "partner" local agencies. While there are some leakages here and there, the fact of the matter is——

The CHAIRMAN. On the whole you think it gets to the needy persons.

Mr. NORRIS. It gets to the needy.

The CHAIRMAN. I heard reports about half the grain that we sent in rots on the wharf before it ever gets to the people.

Would you comment on that?

Mr. NORRIS. I think the agencies that handle this can answer that very well.

Mr. DEVINE. I would say that is patently untrue.

The CHAIRMAN. Tell me what percentage does rot?

Mr. DEVINE. Less than 10 percent.

Mr. KINNEY. I would say less than that. Our losses run 2 percent.

The CHAIRMAN. Would that be about average?

Mr. DEVINE. The other countries, I think, would be less. Our experience there would run less than 1 percent.

The CHAIRMAN. Senator Dole.

Senator DOLE. In followup on the Chairman's question on how much is Public Law 480 and how much is private donations, does that remain pretty constant over the years?

Maybe it is different in each case. I do not know. What about CRS?

Mr. KINNEY. It is about constant.

Mr. DEVINE. Ours changes, of course, depending upon the donations we receive. Last year our donations were up. This year, starting today, we have started a campaign, and that is asking the American public to either limit one meal a week or reduce one meal. Those funds that we receive we will purchase—in fact, we have started purchasing U.S. commodities for shipments abroad in support of the programs because of the lack of Public Law 480 funds.

Senator DOLE. The point I am making, has there been any more outpouring of spirit among the private individuals as the commitment from Government has gone down, partly because of increased costs?

I might add, I was over in Rome and heard all these people running around saying the Government ought to do more. I did not see anyone saying they were going to do more.

Mr. NORRIS. Statistics are very misleading.

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Take a case like CRS. There are 150 diocesan directors working actively in the United States. They are carrying on activities raising funds, assisting CRS and obtaining clothing. They have staffs that do this work. It never appears in the CRS contribution. We have voluntary agency "partners" overseas. In every country there are staffs and volunteers. They never appear in the CRS financial reports.

If we were to put all this together and say this is the voluntary agencies' contribution, it would be a much bigger picture than the so-called 30 percent, which is only the dollar component of the CRS financial report. The total picture is a much larger percentage of the voluntary agency input in the program.

Senator DOLE. Has the American Council taken any position on the fact that some say we feed too much food grain to our livestock? Again I go back to the "60 Minutes" television program I watched last Sunday. It turned out to be a pretty good show for this hearing.

If we would keep the cattle on grass 1 more week, it would be 100 million tons of grain available to feed the hungry. Do you all subscribe to that?

Mr. NORRIS. Possibly as individuals and relating church groups, we do feel that the consumption pattern of the affluent has a relationship to the lack of availability of foodstuffs and assistance for overseas countries. The American Council as such has never taken a position on this.

The CHAIRMAN. Would you yield at that point, Senator Dole?

I think the cows that they do not eat in India, eat about as much feed as the cows that we do have in the United States.

Senator DOLE. What I want to say, if there ever is going to be this change, it is going to have to come through stimulation from groups like your own. I do not know how you would stimulate some of the Catholic cattlement, but you could give it a try.

Mr. KINNEY. It is not that simple. If we all cut down on everything, unless we translated what we cut down into aid for someone else, it would not do us any good. There has to be a delivery system. Something has to happen. It is not enough to cut back eating meat or something. If you want to change your lifestyle, it should be to save resources and put those resources in a way that could help others. Otherwise it is a futile exercise.

Senator DOLE. At least the point was raised, and it is one we are going to have to address sooner or later, that would show malnutrition, not starvation, but people who are in dire need of food in one picture, and the next picture see the big fat steer.

I guess you have to ask yourself that question. Is there going to be a change, and if there is going to be a change, what will the change be. I just raise that for that reason.

Mr. MYERS. Senator, one of the hopeful signs in this whole process is the fact that almost every major Protestant denomination has organized a task force on hunger, and it is an educational campaign and a constituency involvement campaign. This is running all through the United States, and I think we are going to get a conscious change in lifestyle and a greater contribution toward putting the savings or the benefits of our change in lifestyle into the overseas programs, especially the voluntary agencies. I think this is a very hopeful sign for the year ahead.

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Mr. NORRIS. I do not want to anticipate Father Hehir's testimony, because it is his domain, to explain the Catholic Church's position in the food crisis. Every Catholic is being asked to modify his lifestyle and to take certain actions. This will come as the official Catholic Church position.

Senator DOLE. It has to come from somewhere.

Finally, are you encouraged by the increase, the commitment announced on February 3 by the USDA, from 3.3 million metric tons to 5.4, million metric tons?

Mr. KINNEY. It has not been translated, Senator, into what it will mean to the voluntary agencies. We are encouraged, yes.

Senator DOLE. Mr. Bell said they probably could deliver all but a very small amount, or at least get it started before the end of the fiscal year.

Mr. MYERS. Senator, the problem as I see it, realizing my colleagues are much heavier in Public Law 480 than Church World Service, we have always been hesitant about setting up programs and projects for which we do not have firm commitments because we raise expectations. We organize, we get things started. Then they fall flat on their faces, and we are faced with disappointment and disillusionment.

Therefore, for Church World Service, for our part, we will believe that commodities are being shipped when we see the availabilities.

Senator DOLE. The witness, Mr. Bell, indicated this morning that under title II, shipping would not be difficult. Under title I, of course, you have to make an agreement, and hopefully that can be made far enough in advance of June 30 that delivery could be at least started.

Mr. NORRIS. Several of us have tried to point out the linkages between the voluntary agencies here, their counterparts overseas, the host governments, and all the activities that go on. When the government overseas is winding down its appropriations for warehousing and administration, suddenly they are confronted with the fact they have to have an appropriation for all these activities. We know what is involved in our own country in trying to bring about an appropriation through Congress. Many of these countries are even slower. These are the problems, having a large quantity of food thrown at an agency all of a sudden without ample time to gear up to handle it.

Senator DOLE. Not in defense of the Department, but one of the problems has been knowing what our carryover would be, for example, in wheat. Again, Mr. Bell said the great portion of the added food aid would be in wheat and rice. Then you get back to another question, Where is our first obligation, the hungry overseas or the people of this country, not necessarily hungry?

Mr. MYERS. Senator, I do not think they are in competition. I believe we could meet the domestic needs of this country if we were willing to curtail to some extent the commercial export of food to those countries which are able to pay for it, to the detriment of those countries which are not able to pay for it but which need it most, and where the voluntary agency programs are.

Senator DOLE. My point is, if you have a shortage of wheat——

The CHAIRMAN. Would you yield at that point?

Is it your philosophy that we ought to curtail commercial sales dollars in order to give more away?

Mr. MYERS. If it is necessary.

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The CHAIRMAN. The hemorrhage we are facing with the balance of our payments and devaluation of the dollar——

Mr. MYERS. Sir, I am not suggesting that we give it all away. What I am suggesting is we might be able to use and allocate a percentage. It need not be large.

The CHAIRMAN. I look upon this program as humane and worthy, but it is like supporting your church. You support them as far as you can, but if you have to sell your house and let your children sleep in the rain, you could not do that.

Senator DOLE. I agree with that.

I was going to ask the same thing. You said we could do both, but if bread went to a dollar and—let's say it is an election year, fortunately it is not for me—but if bread was a dollar a loaf and this fellow was out telling the people, I am sorry about that, but we gave it to the people overseas, I think there are some political realities, not partisan realities. Maybe we are selfish. How do we sell that program to the American people? Even though the American people are humanitarian, they want to help, but when bread goes to a dollar and you tell them we have given that overseas, it is hard to explain.

Mr. MYERS. I do not think it is your job to sell that. I think it is the church's job to sell——

Senator DOLE. You are not on the ballot.

Mr. MYERS. That is true.

The CHAIRMAN. Senator Clark?

Senator CLARK. I would like to follow up on that discussion of how much we have to deny ourselves in the process of giving food aid. I think we should look at the volume being considered. For example, the first speaker suggested that we have a regular humanitarian aid commitment of 2.5 million metric tons, which is what we had in 1972. This year we have only 1.2 million, or half that amount. We would have to do embarrassingly little in this country to meet that goal because we produce 220 million tons a year in the United States. We are talking about 2.5 million tons.

It seems to me to meet that minimum of 2.5 million tons would be so minor an allocation as to really have no effect on the commodity market.

I noticed for example last week across the economy tape here that the European Common Market, is going to buy 9 million more tons of corn than we anticipated. We are short of corn. Following that announcement, corn prices have gone down. Nine million tons seems to me an awful lot compared to 2.5 million tons.

The point is we are talking about some very, very small figures in terms of tonnage. The dollar amount is going to vary depending on the price. We have sold 26 million tons of food to the Soviet Union in the last 2½ years, some of it wisely, some of it perhaps unwisely, but we are talking about a very small amount of food, it seems to me, 2.5 million tons.

I would like to compliment not only the voluntary agencies, and the good job you have done as the chairman said at the outset, but also the churches that many of you represent, and those that are not here, in terms of operating through the democratic process to get an increase in the food aid. I think it is clear that church organizations and people had a great deal to do with getting this increase.

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We know, for example, that half of all the White House mail in December was about food aid. That came, obviously, from great discussion. One of you speakers said—correct me if I am wrong—that you have tripled your food commitment this year as compared to last year, in spite of the great economic pressures that we have had—did not one of you indicate that?

Mr. MYERS. Yes.

Senator CLARK. That is a good record. Especially in terms of asking the Government to do more, you have a record of private individuals prepared to do as much as you have indicated.

Two quick questions. It seems to me that many of you made quite a point of continuity, starting the program, stopping the program. What effect does that have nutritionally? Someone once said to me that if you start a program for 6 months then end it for 8 months, that you are worse off than never having started it at all.

Is that an exaggeration?

Mr. KINNEY. I do not think they are any worse off, but they are not any further ahead.

Senator CLARK. You would almost rather have less food aid and continuity than have stops and starts. If we could program a stable amount, say $2.5 million a year, that would be of more value than having a lot one year and not enough the next year. Your programs are not really geared so much to famine as to regular ongoing programs, is that true?

Mr. KINNEY, That is correct.

Mr. NORRIS. We might say this, Senator. The compassion of the American people this year in connection with the drought had such an outpouring, we as one agency, Catholic Relief Services, made an appeal and over $5½ million spontaneously came in, expressing deep concern. Some very large individual contributions were received with no pressure at all. That is an expression of concern among our people.

Mr. DEVINE. Our experience was just about the same.

Senator CLARK. I wondered about one other thing. There has been a lot of discussion this morning about this interagency staff that makes the decision as to who gets food aid and who does not, and where it goes.

Do you have any input at all as voluntary agencies who conduct these programs? Do you consult or have any relationship with the interagency staff?

Mr. DEVINE. To my knowledge only once. That has been in the last 3 months.

Senator CLARK. In what respect?

Mr. DEVINE. I appeared before the Subcommittee of the LSC. I think that was the first invitation we have had.

Senator CLARK. In the history of the program?

Mr. DEVINE. In the history of the program.

Senator CLARK. Would it not make some sense—I do not know legally, I have not thought about it—to have some imput formally or informally?

Mr. DEVINE. We have asked for that, Senator Clark, for over 10 years. We have always been denied it based on the fact that there are sensitive and security matters discussed. We have said, for goodness sakes, discuss Public Law 480 in the morning, take care of security in the afternoon, but unfortunately, as I say, up until this last break-through, we have not been invited.

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I would think that would be the intelligent way to approach it.

Senator CLARK. What about that last point? There has been a lot of discussion about this issue in the papers. Perhaps one of you were quoted, and Mr. Enders made statements today about the shipment of food, the capability of these countries to receive food.

Aside from the internal problems of distribution, can these countries actually take more food? Mr. Enders today indicated we could not really ship any more food to several of these countries because their shipping capacity was always full.

Was that your understanding?

Mr. KINNEY. I did not understand him to say that.

Again, if you will reflect on our program, we have no problem of getting space, warehousing.

Senator CLARK. You are confident that the countries you serve could take more food this year, given the present shipping capacity.

Mr. KINNEY. Definitely.

Senator CLARK. Thank you.

The CHAIRMAN. Senator Young?

Senator YOUNG. I just want to say that where I traveled around the world—and I have not done this for 4 or 5 years—the food that you distributed helped more people and created more good will than any program we have.

May I ask this question? In what form is the food you distribute now? How do you get this food to the people? There must be a variety of ways.

Mr. KINNEY. In school-feeding programs, it would be in the form of some kind of meal supplemented with local foods. In the food-for-work program, it would be in a package form. Similarly, in a maternal-child health program—incidentally, we make sure that the child gets the food, but it is put in package form.

The CHAIRMAN. Thank you very much, gentlemen, and we thank you for your contribution to this committee.

[The prepared statements of Messrs. Norris, Myers, and Kinney follow:]

STATEMENT OF JAMES J. NORRIS, CHAIRMAN, AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE INC., NEW YORK, N.Y.

Mr. Chairman and Members of the Committee: I am James J. Norris, and I serve as the Chairman of the American Council of Voluntary Agencies for Foreign Service. At the same time, I am the Assistant to the Executive Director of Catholic Relief Services, one of the forty-three U.S. voluntary, non-profit organizations comprising the membership of the American Council. With me today are representatives of three member agencies: Frank L. Goffio of CARE, Edward M. Kinney of Catholic Relief Services, and Melvin B. Myers of Church World Service. Our statement is brief and general in nature. My colleagues will deal in specifics as they affect voluntary agencies participating in the PL 480 food program.

Member agencies of the Council are involved in programs to help people in developing countries meet their social, economic, and human needs in many ways, including food distribution, community development, nutrition, medical assistance, education and technical training, refugee and migration assistance, and disaster aid. Through the work of American voluntary agencies, the American people who are their constituencies express their humanitarian concern for less fortunate people. The "constituencies" represent a broad spectrum of American society, including both service organizations related to the major religions of our country as well as nonsectarian agencies and nationality associations.

Voluntary agencies of the American Council have participated in humanitarian food aid for over twenty-five years under the Agricultural Act of 1949 and, since 1954, under PL 480. On numerous occasions the agencies and the American Council

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have testified before Congressional committees on behalf of food aid legislation. The direct experience of these voluntary agencies demonstrates that PL 480 food distributed on a people-to-people basis has saved countless lives, has reduced the danger of crippling malnutrition, has helped the poorest to work toward self-sufficiency, and through food for work and other programs, has aided in the development of individuals, families, communities, and even nations. Food aid is a most valuable vehicle for the voluntary agencies at the grass roots level in promoting self-help initiatives and in narrowing the gap between the rich and the poor.

A survey of American opinion on foreign aid programs, made by the Overseas Development Council in 1973, concludes that Americans strongly support a humanitarian, people-to-people approach to foreign assistance. The American Council is convinced that food aid demonstrates the concerns of the American people with the needs of the peoples of the developing world. The Congress itself on numerous occasions has expressed itself in this same vein.

One of our nation's top priorities, therefore, must be to find an effective way to share more of our food resources. We ask that our government seriously reexamine the tendency over the last three years to reduce humanitarian food aid at the same time that hunger and starvation have been claiming increasing numbers of lives in developing lands. In FY 1974, the year of famine and starvation, such food aid was about *one-half* of the FY 1972 level (1.3 million metric tons vs. 2.5 million metric tons.) The voluntary agencies urge that *as a minimum*, there be a return to the FY 1972 Title II commodity level.

The radical and sudden lowering of commodity levels has resulted in nutritional harm, unnecessary waste, and program disruption for voluntary agency activities. Food use programs in overseas countries are developed over a long period of time with the careful coordination of the voluntary agency staff, the local counterpart agencies' personnel, the host government, and the recipients themselves, as well as large numbers of local volunteers who help their own people. The voluntary agencies in the Council continue to advocate a long-range, multiyear government food aid planning system, which is desperately needed to enable the voluntary agencies to maintain program integrity.

Sharing food is a great challenge. It is also a humanitarian necessity. Access to food is a basic human right. The question to be asked is not whether our country can afford to give more food aid, but whether we can afford *not* to give more. We are aware of our own domestic problems, but our own situation must be seen in a global context, which reflects a devastating picture of malnutrition, hunger and starvation among our brothers and sisters in many overseas lands.

Mr. Chairman, we recommend that your Committee and the Congress as a whole take steps toward the fullest possible realization of the sense of Congress as it was expressed in the Foreign Assistance Act of 1973, namely, that ". . . the United States should participate fully in efforts to alleviate current and future food shortages which threaten the world." This can be done by supporting both the spirit and the letter of the World Food Conference where it was demonstrated once again that America, as the richest nation, and the one with the greatest control over life and death for many through its food resources, must provide leadership in the works of peace that will help to overcome hunger, misery and poverty in the poor lands of Africa, Asia and Latin America.

Positive action at this time by our country will be a reaffirmation of our nation's tradition of humanitarian concern for people in need wherever they may be. Mr. Chairman, in the bible we read about the rich man Lazarus, engulfed in flames, begging Abraham to send Lazarus to dip his finger in water to cool his tongue, but Abraham replied that it was too late—the great gulf had been fixed between them. Let us resolve that we will narrow that gulf by our compassion and generosity. Thank you.

RECOMMENDATIONS

1. Increase the volume of humanitarian food aid at least to the level of FY 1972, i.e. 2.5 million metric tons.
2. Develop a system for longer range planning of food aid programs, thereby avoiding abrupt cutoffs and disruptions, harming relations with partners in overseas governments and counterpart agencies, and loss of vital foods for needy children and others.
3. Support fully both the spirit and the letter of the resolutions of the World Food Conference.

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STATEMENT OF MELVIN B. MYERS, DIRECTOR, MATERIAL RESOURCES PROGRAM OF CHURCH WORLD SERVICE, NEW YORK, N.Y.

My name is Melvin B. Myers, Director of the Material Resources Program of Church World Service, the relief and rehabilitation agency of the National Council of Churches of Christ in the U.S.A., with headquarters at 475 Riverside Drive, New York City. The constituent members of the National Council comprise 31 Protestant and Orthodox denominations.

Church World Service has participated in the P.L. 480 program from its inception, administering more than two million metric tons of commodities under Title II. Through this legislation human suffering has been met and human development fostered in many communities and nations throughout the world. However, in the face of the proliferating world hunger dramatized by the recent World Food Conference, it seems appropriate as P.L. 480 enters its third decade to consider some new and imaginative ways of strengthening America's response to today's and tomorrow's global food challenges. The principles of food aid adopted by the World Food Conference in our view provide sound guidance to the Committee in its welcome task of rethinking the Food for Peace program.

The American churches and individuals with whom we are associated are deeply concerned about world hunger. Last year, out of our own resources, Church World Service shipped to 25 countries more than 1,000 tons of non-P.L. 480 food, valued at about $500,000. This year's figure already stands at 3,850 tons of wheat, beans, and other food made possible by gifts from wheat growers in several states and by cash contributions to Church World Service. Additionally, one denomination alone has given us $500,000 for the purchase of fertilizer to enable village farmers in India to increase their own crops. The present tight fertilizer situation in this country may force us to make purchase of this item outside the U.S.

The urgent needs of hungry people throughout the world for food and development and the concern of Americans to respond creatively to those needs lead us to four suggestions toward moving P.L. 480 beyond food aid into a broader instrument for the self-development of peoples.

1. Realizing that the answer to world hunger requires larger production in developing countries themselves, and realizing that fertilizer placed in the hands of farmers at the village level in developing countries where we and other agencies are at work will increase local food production, *we suggest that the new legislation include fertilizer along with food as a P.L. 480 commodity.* Failing this, would it not be possible to establish some kind of fertilizer set-aside to enable the voluntary agencies to secure in more ready and timely fashion the limited amounts of fertilizer which our own resources can underwrite?

2. Increased shipments of non-P.L. 480 foods by our agency and others are putting severe pressure on the A.I.D. resources within the Foreign Aid budget for ocean freight reimbursement to voluntary agencies. A.I.D.'s so-called "normal" freight reimbursement must cover not only food and fertilizer but also other material aid, including medical and health items, agricultural tools and seeds, and literacy materials. *We therefore suggest the incorporation into new P.L. 480 legislation of a provision for the reimbursement of ocean freight on food and fertilizer.* This would not only be consonant with the purpose of the legislation, but would relieve the pressure on the limited A.I.D. funds available to the voluntary agencies under current arrangements.

3. In keeping with the consensus of governments reflected in Resolution XVIII of the World Food Conference, *we ask that serious consideration be given to enabling P.L. 480 to serve as a means to "provide, as appropriate, additional cash resources for commodity purchases from developing countries"* for use and distribution by voluntary agencies in those countries. Such a measure would encourage food production in developing countries themselves. We attach the full text of the World Food Conference Resolution on Food Aid for your information.

4. The possibility might also be considered of *allowing the use of funds granted under P.L. 480 for the purchase of agricultural hand tools, irrigation pumps, and other implements and materials that would enable the poorest farmers in a developing country to increase their own agricultural productivity.* Our food-for-work programs currently facilitate agricultural and community development, but non-food items integral to those projects must be provided with funds from sources other than the U.S. government.

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These suggestions are designed to make the P.L. 480 legislation a more effective instrument for food production and self-development. They are fully in keeping with the thrust of the World Food Conference recommendations, which underscore the need for food to serve the development goals of poorer nations rather than imposing the political objectives of donor countries upon them. The apparently increasing pressure for political use of P.L. 480 is of serious concern to Church World Service. We look upon the growing public support of private voluntary agency assistance as an encouragement for the strengthening of the humanitarian aspects of P.L. 480 and for the restoration of its original spirit and intent.

FROM THE RESOLUTIONS ADOPTED BY THE WORLD FOOD CONFERENCE NOVEMBER 1974

RESOLUTION XVIII—AN IMPROVED POLICY FOR FOOD AID

The World Food Conference

Recognizing that, while the ultimate solution to the problem of food shortages in developing countries lies in increased production in these countries, during the interim period food aid on grant basis and any additional food transfers on concessional or agreed-upon terms to developing countries will continue to be needed, primarily for meeting emergency and nutritional needs, as well as for stimulating rural employment through development projects,

Stressing the importance of evolving a longer-term food aid policy to ensure a reasonable degree of continuity in physical supplies,

Noting that contrary to earlier expectations, the year 1974 has failed to bring the good harvest needed for the replenishment of stocks and re-establishment of a reasonable degree of security in world food supplies, and expressing concern that most developing countries will not be able to finance their increased food import bills in the immediate period ahead,

Stressing that food aid should be provided in forms consonant with the sovereign rights of nations, neither interfering with the development objectives of recipient countries nor imposing the political objectives of donor countries upon them,

Emphasizing further the paramount importance of ensuring that food aid is provided in forms which are voluntary in nature and are consistent with the agricultural development plans of recipient countries with the ultimate aim of promoting their long-term development efforts and ensuring that it does not act as a disincentive to local production and cause adverse repercussions on the domestic market or international trade, in particular of developing countries,

Taking note with interest of the work of the General Assembly at its twenty-ninth session on the subject of strengthening the Office of the United Nations Disaster Relief Co-ordinator, in particular in relation to disaster preparedness and pre-disaster planning,

Recognizing the need to increase the resources of the World Food Programme, so as to enable it to play a greater and more effective role in rendering development assistance to developing countries in promoting food security and in emergency operations, and also recognizing the need to increase the resources of UNICEF, to enable it to play a greater role in meeting the food needs of children in emergency operations,

1. *Affirms* the need for continuity of a minimum level of food aid in physical terms, in order to insulate food aid programmes from the effects of excessive fluctuations in production and prices;

2. *Recommends* that all donor countries accept and implement the concept of forward planning of food aid, make all efforts to provide commodities and/or financial assistance that will ensure in physical terms at least 10 million tons of grains as food aid a year, starting from 1975, and also to provide adequate quantities of other food commodities;

3. *Requests* that interest cereals-exporting and -importing countries as well as current and potential financial contributors meet as soon as possible to take cognizance of the needs and to consider ways and means to increase food availability and financing facilities during 1975 and 1976 for the affected developing countries and, in particular, for those most seriously affected by the current food problem;

4. *Urges* all donor countries to (a) channel a more significant proportion of food aid through the World Food Programme, (b) consider increasing progressively the grant component in their bilateral food aid programmes, (c) consider contributing part of any food aid repayments for supplementary nutrition programmes

and emergency relief, (d) provide, as appropriate, additional cash resources to food aid programmes for commodity purchases from developing countries to the maximum extent possible;

5. *Recommends* that the Intergovernmental Committee of the World Food Programme, reconstitute as recommended in Conference resolution XXI on arrangements for follow-up action, be entrusted with the task of formulating proposals for more effective co-ordination of multilateral, bilateral and non-governmental food aid programmes and of co-ordinating emergency food aid;

6. *Recommends* that Governments, where possible, earmark stocks or funds for meeting international emergency requirements, as envisaged in the proposed international Undertaking on World Food Security, and *further recommends* that international guidelines for such emergency stocks be developed as a part of the proposed Undertaking to provide for an effective co-ordination of emergency stocks and to ensure that food relief reaches the neediest and most vulnerable groups in developing countries;

7. *Recommends* that a part of the proposed emergency stocks be placed at the disposal of the World Food Programme, on a voluntary basis, in order to increase its capacity to render speedy assistance in emergency situations.

STATEMENT OF EDWARD M. KINNEY, ASSISTANT TO THE EXECUTIVE DIRECTOR, CATHOLIC RELIEF SERVICES, UNITED STATES CATHOLIC CONFERENCE, NEW YORK, N.Y.

My name is Edward M. Kinney. I am assistant to Bishop Edward E. Swanstrom, Executive Director of Catholic Relief Services—United States Catholic Conference, the official overseas relief and development agency of the Catholic hierarchy of the United States.

I am delighted to appear before this committee at a time when it is re-evaluating the impact of Public Law 480, both at home and abroad, in light of the world food crisis.

This hearing presents, in my opinion, a valuable opportunity not only to indicate in a concrete way how American voluntary agencies involved in overseas food aid can play an even more significant part in helping to ease the world food supply situation than they have been able to in the past, but equally importantly, a chance to get their programs back on track.

First, a bit of background. Since foods were first made available from America's largesse under the Agricultural Act of 1949, the voluntary agencies of the people of these United States have literally kept millions upon millions of hungry humans from starving to death. Countless hundreds of thousands of families have been returned to the economic mainstream as well, and, for the most part, their children and, in some cases, even their children's children, because of voluntary agency developmental food aid, are not now in need of outside food assistance.

The agency I represent, perhaps the most experienced in conducting overseas food relief and developmental work through the private sector, in the years since 1949 has acquired and distributed almost 11 million tons of U.S. Government-donated foodstuffs. In the early '60s, its annual shipments of P.L. 480 foods reached a high of more than 850,000 tons and as many as 29 million needy men, women and children received supplemental food assistance under the relief and development programs it sponsored.

In addition, over the years CRS has purchased substantial quantities of specialized food itself in order to provide essential additional supplements, especially for the very young. It also has been favored with contributions of foods and/or funds, or both, from other governments, from private sources not only here in the United States but in Europe and Australasia, and, most recently, from the European Economic Community.

What has attracted so much support to voluntary agencies such as CRS in the past has been the unique contribution they are able to make. This is two-fold: (1) An ability to reach the economically deprived directly and at minimum cost, and (2) the capacity to create indigenous structures virtually at the grass roots level for the organization and operation of the kind of food aid programs (among other developmental efforts) which, in a real way, enable the almost helpless to help themselves. But, seemingly inexorably, the fundamental nature of volagency programs has been undergoing a change. Today, one would have difficulty in distinguishing voluntary efforts under P.L. 480 from any other government economic assistance program in terms of the rubrics employed to begin them, shape them and terminate them

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For one thing, the humanitarian aspects of voluntary Title II food aid are steac
being regulated out of existence. Each year, the margin of flexibility remaining to
voluntary agency in initiating, shaping and administering overseas food distri
tion programs seems to diminish. Strictly governmental yardsticks—gross
tional product, the economic viability of the program country, and similar gen
economic indices, *plus political considerations which in recent years have loo*
larger and larger,—yardsticks which should be applied to official government
government programs but not to people-to-people programs, are used to regul
to determine the nature of, and, in many instances, to phase out, voluntary eff
to feed the hungry.

And this problem will not be solved from within. I do not blame those in cha
of Food for Peace programing particularly. I have some understanding of
pressures under which they work, and our points of agreement far outnumber
differences. I know from experience how regulations beget more and more reg
tions. Perhaps the voluntary agencies themselves are responsible, at least in p
for not taking steps to halt this trend long ago. One thing I know for sure—r
is the time to do something about it.

This situation is part of a larger problem, namely, the necessity of restructu
Public Law 480 so that that which is obviously politically motivated and st
tured food assistance cannot be programed, labeled and applied against avail
funds under the guise of humanitarian aid. Frankly, I foresee this kind of situat
arising until and unless a separate Title of Public Law 480, completely reser
and funded for voluntary agency humanitarian people-to-people programs
established. I would then hope these programs would have a chance of being
stored to their former humanitarian stature. To my mind, this kind of rest
turing should go hand-in-hand with the complete separation of American milit
aid from U.S. economic assistance.

Last July, in testifying before the Senate Committee on Foreign Relation
pointed out that present Title II program guidelines precluded the utilizatio
U.S. Government-donated foods to feed the hungry (except under dire emerge
conditions) unless (a) they are pregnant or lactating mothers with children un
five, (b) they are able to participate in food-for-work programs, or (c) t
attend a day school of secondary level or below at which a meal based u
P.L. 480 foods is served. In other words, the halt, the lame and the blind se
ingly can starve to death as far as our government planners are concerned un
other sources of food can be found for them. This is a form of triage which I
sure is abhorrent to the overwhelming majority of Americans. It puts the pe
of America in a most unfavorable light. We appear to be heartless. We offer
help as a representative of the American people, but we withhold it from the n
needy, not because we want to, but because our government says we have
Surely, this is a situation which cries to high heaven for change.

A request was made some months ago for permission to use at least a mo
percentage of U.S. Government-donated foodstuffs for the relief of those un
tunates who are literally the poorest of the poor and who have no other source
help to which to turn. Yet, the months pass and, while one exception has b
made, the guidelines remain the same. Is it any wonder that I ask again t
America's concern for humanity for the sake of humanity be permitted to ret
to American voluntary overseas food assistance programs?

Then again, there is the matter of program supply. After assuring that Ameri
humanitarian aid will, in fact, be permitted to be truly humanitarian, and direc
toward improving the quality of life of those at the bottom of the econo
ladder in the developing countries, there is the critical matter of determi
what kinds, when, for how long, and how much of America's food supply—a
our own national needs have been taken care of—will be devoted to this purp

The past several years have been a virtual debacle from the viewpoint of sup
Milk, as you know, has disappeared from the availability list, although
agencies recently did receive a windfall of some 10,000 tons. Incidentall
understand that milk stocks are so large that 50,000 tons may be given to
World Food Program! In the absence of milk, the voluntary agencies bega
depend upon CSM, the high protein corn-soya-milk blend devised as a repl
ment. This product also, because it contains milk, has gone by the boards. H
ever, the continued availability of cereals, the milkless but high protein bl
WSB, and the all-important, high calorie vegetable oil has, in theory, mac
reasonably well balanced food ration possible.

It has been the [illegible] of programmed foods which has [illegible]
large. Here is the [illegible] months are spent by American volagencies in plann
and structuring food distribution programs with overseas counterparts wh

must provide the facilities, manpower, local supervision and as much funding as they can generate) and host country governments (upon which voluntary agencies rely for duty-free entry, customs clearance, and, in most instances, for inland transportation and warehousing). These programs, which must conform to AID guidelines mandating all aspects from the categories of recipients which are permissible to the size of the monthly ration on which a program may be based, are then submitted to U.S. Governmental representatives overseas for review and approval. In whatever form they survive this review, (and some reshaping at that level seems inevitable), they are forwarded to the volagency's home office in the United States for submission to AID/Washington. There they undergo another review before they are submitted to the Interagency Staff Committee for a final OK. Almost without exception, the additional changes are mandated at the Washington level. Time after time, we have asked for the rationale behind the recommended changes in order to be able to explain them to those who so laboriously put the programs together in the first place, without success.

The process of reducing volagency program coverages, mandating phase-outs, changing program emphases, etc. at times seems endless. For instance, one of the most fruitful and readily accepted types of food assistance demonstrated by American voluntary agencies overseas is that devised under the food-for-work concept. This type of food assistance not only averts starvation but enables the completion of thousands upon thousands of community improvement projects ranging from the building of latrines, the construction of access-to-market roads, to the construction of sorely needed clinics and dispensaries and the digging and/or deepening of wells in the hardest hit drought areas. Yet recently, I read a copy of an AID message to the field in which it was suggested that all voluntary agency food-for-work projects should be conducted on a fully cash basis. Where the money was to come from, of course, remained obscure. However, if this suggestion is taken seriously, it would just about end this highly desirable and overwhelmingly productive kind of food assistance wherever it is implemented by voluntary agencies.

There is real cause for wonder why, year after year, voluntary agencies are confronted with what seems to be a deliberate policy of containment and diminution as far as Title II overseas food distribution programs are concerned. This policy does not seem to be in line with the plaudits every President of the United States since 1949 has bestowed upon them. Nor does it appear to be in harmony with the intent of Congress which has been, and I believe still is, constant in its understanding and praise of them as low cost, effective delivery systems for American humanitarian aid. Still—and the record will bear me out—the agencies themselves are confronted year after year with a virtual policy of attrition. Truly, somebody, somewhere, is out of step.

To add to a sorry enough situation, the time lag between government food availability estimates used to monitor volagency programs and actual available food supplies and funds presents a problem. Early this year, USAIDs were furnished by AID/Washington with proposed recipient levels for voluntary agency FY '76 food programs. These seem to have been decided more than a year ago and are apparently based upon estimates at that time of a much tighter food situation than now exists.

There has been considerable activity during the past week among the program planners. I understand that Title II funding for FY '76 will be almost three times that of FY '75. How much will go into voluntary agency humanitarian programs? That, I do not know. Yet, our FY '76 Estimates of Requirements, country by country, were supposed to have been in AID's hands by February 15th and the restrictive recipient levels transmitted to USAIDs several months ago still hang over our programs like a wet blanket.

I realize the function of Title II programming is invested in AID while USDA assumes the responsibility for commodity supply. I mention to this Committee some of the programming difficulties, however, in order that its members may have a more complete overview of what is happening to the vaunted humanitarian programs of America's voluntary agencies.

The matter of program supply lies within the purview of this Committee. I ask, therefore, that steps be taken to assure Committee support for volag food aid supplies quantitatively as well as qualitatively. *Present Title II procurement practices, for instance, simply do not take into account voluntary agency program needs.* As a result, voluntary agency program directors must attempt to administer food assistance on a hand-to-mouth basis and sometimes even to try to keep such programs going when commodities literally go out-of-stock overseas. Far too often, it becomes impossible for them to deliver a nutritionally meaningful food supple-

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ment to a hungry person. In a very real sense, because of the lack of continuity with which foods are made available for programs, the basic objectives of the programs themselves are vitiated.

I realize that last year, what with the Administration trying to decide what it would promise in the way of food aid at the World Food Conference (and the delays which followed while its decision was further agonized), all kinds of related decisions regarding availability, etc. had to be postponed. The fact is, however, that voluntary agency supply problems do not basically stem from food shortages nor administrative delays. The feast or famine, and sometimes penny wise but pound foolish in terms of human value, procurement practices of USDA require redirection and re-examination if America's voluntary agency food assistance programs are to realize their objectives. Some of these difficulties stem from the fact that volagency foods are limited by what the dollar will buy. If these programs are to be effective, their supply of food must be assured on the basis of pounds, not dollars. I am aware that this may require the Executive Branch, from time to time, to use the tremendous discretionary funds at its disposal so that budgets may be supplemented as commodity price increases necessitate. Something must be done. So chaotic and unpredictable has the input to volagency supply lines been the past two years that AID itself has departed from its own guidelines and has not officially accepted and approved volagency food programs quantitatively except on a post facto basis. Under these circumstances, you can imagine how difficult it has been for volagency program directors overseas to anticipate deliveries and thus make judicious use of existing food stocks.

A hard look at USDA's procurement practices would be helpful to the end that, given the necessary foods and funds, continuity in volagency program supply would be assured. A review of USDA's shipping practices would likewise be helpful so that food parcels large enough to require the chartering of vessels or able to be combined with government shipments to the same destination in the interest of establishing freight economies, would also be handled in such a way as to minimize delivery delays of commodities vital to volagency food distribution programs.

I hope I am not taking too much time plying you with details. I am afraid if they are not put before you, the problems they represent will not be overcome.

There is one additional program need I ask this Committee to consider. Voluntary food aid involves not only immediate assistance to the hungry, but the use of commodities in longer range developmental project work. Moreover, in view of the world food supply situation, America's voluntary agencies are placing renewed emphasis on helping small rural farmers in the developing countries to grow more and better food. Thousands upon thousands of school gardens have been organized year after year by CRS counterparts overseas as a natural adjunct to CRS school feeding programs. And this type of activity will continue. But today's critical food supply situation requires that far more be done to lessen the dependency of the peoples of the developing world on outside sources for their basic foods. Voluntary agencies such as Catholic Relief Services which sponsor broad maternal-child health programs have created infrastructures through which millions of rural farmers can readily be reached. This is particularly true in Africa. What America's voluntary agencies need is seeds, fertilizers, tools, etc. (or the funds with which to purchase them) and, perhaps most importantly, the advice and assistance of competent agriculturalists or agronomists. To what extent this Committee can help with the former I do not know. I do know that the Department of Agriculture has as an integral part of its organization an Extension and Marketing Service without parallel throughout the agricultural world. I am aware, also, of the enormously important part this service has played in the outstanding production records established by the American farmer. I have often stood talking with the tiller of a small farm overseas and, with heavy heart viewed the pitifully small crop being grown, knowing how dependent for sustenance throughout the long months of the dry season the farmer and his family were going to be on a very, very meager harvest. (There is little point in talking to a farmer about growing additional food for the market when he can't produce enough for himself and his family.) Invariably my thoughts went to our own farmers and the bounty they produce. Could not our Agriculture Department help supplement America's contribution through its voluntary agencies by subverting some of its Extension Service experts to them for overseas advice and assistance?

True, this kind of help has been available on a government-to-government basis from time to time, but I am talking about putting it to work at the grass roots level through America's voluntary agencies for that is where we have to begin if we are going to get the job done. In my opinion, a cooperative program of

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this nature would be of inestimable value in augmenting voluntary agency efforts aimed not only at increasing the output of local foods but in helping local farmers to produce more nutritious foods.

Humanitarian aid to the less fortunate overseas has always been an overt expression of American compassion. The agencies most deeply involved in representing the great heart of America—the agencies that see world hunger not as an abstraction but in terms of millions upon millions of starving humans—are not having an easy time carrying out their commitment to the American people. They need your help. In summary, they need your interest, concern and intervention to the end that:

Explicit statutory recognition be given to the kind of priority assigned to America's humanitarian obligations and commitments as carried out by the voluntary agencies.

Public Law 480 is restructured so that one section, by definition and funding, is devoted to voluntary humanitarian food assistance, and that alone.

America's voluntary humanitarian aid programs are accorded an assured supply of foods determined by tonnage and on a multi-year basis where indicated with adequate advance notice of the availability of such to enable them to program the most effective usage.

—USDA review its procurement and shipping practices as they relate to voluntary agency program supply, with a view to eliminating avoidable delays.

—USDA investigate the possibility of assisting voluntary agencies, through the loan of qualified Extension Agents for advice and assistance overseas as an important input into the expanded efforts the agencies are now making to increase the production of local foods.

—This Committee support American voluntary agencies in their plea for seeds, fertilizers, tools, etc. (or the funds for the procurement of same) so that the new and vigorous effort to play a part in easing the world food shortage in which the voluntary agencies are now involved, would be effectively implemented.

—Finally, and perhaps most importantly, that the present restrictive program guidelines be changed so that help to the poorest of the poor is not only permissible, but achievable.

There should be a vast difference between food assistance programs administered by American voluntary agencies and those planned and administered on a government-to-government basis. Government-to-government programs must be based on the hard political and economic facts of international existence. Voluntary agency programs, on the other hand, are supposed to reflect the compassion and concern of the American people for their needy brethren overseas. As the years go by, the latter are being cast more and more in the image of the former. Nothing has been gained by this trend. In my opinion, much has been lost. Let us put the human back in our humanitarian aid programs, and let us do it now.

I thank this Committee for the opportunity of appearing before it. I trust I have been of some assistance in outlining the problems which American voluntary agencies face in carrying out their food assistance programs overseas and in suggesting ways in which these can be resolved.

The CHAIRMAN. The next witness is Mr. James P. Grant, president, Overseas Development Council.

STATEMENT OF JAMES P. GRANT, PRESIDENT, OVERSEAS DEVELOPMENT COUNCIL

Mr. GRANT. With your permission, my longer statement will be in the record.

Mr. Chairman, I welcome this opportunity to testify on invitation on the need for food assistance in the new era that lies ahead. I personally consider Public Law 480 to be one of the more innovative and creative pieces of legislation that any country has had over the last 20 or 30 years. In my judgment, these hearings could not be more timely for several reasons.

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First, the World Food Conference has outlined the principles for a cooperative global approach to solving world food problems, the objectives to be achieved over the next decade, and institutional structures and the means for obtaining them.

Remarkably, on a scale never before equaled, a major global problem has evoked a truly global proposed response that is both comprehensive and massive. But the accomplishments of the World Food Conference remain largely at the level of rhetoric. Their meaningful implementation still lies ahead. It is in this new global policy context that Public Law 480 needs to be considered.

Second, the world economy—in fact, the world order—is in sore distress and still deteriorating, with the majority of the least developed countries, and their poorest in particular, being most adversely affected. The need for Public Law 480 continues to be very great.

Third, by last summer the United States, the food and fertilizer center of the world, was not implementing even the semblence of a global food policy, beyond that of maximum profits for agricultural exports.

As the world food system has been disintegrating under the impact of a number of short-term and long-term trends, so has the U.S. food policy; only with the World Food Conference has the reversal begun. Many of the basic policies for the future remain to be decided.

Fourth, the U.S. Government still appears to be displaying an appalling lack of urgency in addressing immediate food needs of those facing death from increased hunger and malnutrition as a consequence of the crises and disasters of the past 2 years. Less than 20 percent of the food aid had been shipped by early February, even though the most acute need in many distressed areas will be in the late spring before the winter crops are harvested. In fact, some knowledgeable observers seriously question whether all this aid can be physically shipped before the end of the fiscal year 4 months hence.

Fifth, the Congress has made a major contribution over the past 2 years to the shaping of the newly emerging and hopeful proposals for U.S. food policies. The need and potential for a continuing congressional contribution remains very great.

In the balance of my paper, Mr. Chairman, I make seven recommendations. In the body of my paper, I talk some more about the World Food Conference and the fact that the current world food problem is really a part of a much larger global set of problems—the energy crisis, the inflation crisis, are all a part—and that there has been a very great contrast between the global response to the world food problem and the global response to the energy problem, with all the pluses in my judgment favoring the way the world food problem has been tackled. On the energy side, the approach has been competition between the old rich and the new rich, with a lot of people being gored on the side. With respect to the world food problem, the world has gotten together, started hammering out an approach that gets everybody in, the Russians, the Chinese, the OPEC countries, the rich countries, the developing countries, and it has a very skillful set of instrumentalities to involve these countries.

I then discuss briefly the continuing plight of the fourth world. The World Bank studies make it very clear that these poorest countries with about 1 billion people in them will probably face declining per capita GNP for the next 5 to 6 years at least. This obviously

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creates a major set of problems. These countries have topay over $3 billion additional for their higher oil, food, and fertilizer costs, with roughly 50 percent of the increased costs being paid to the oil countries, and 50 percent of the increase being paid to the developed countries for food and fertilizers.

The rest of the world is beginning to respond to these problems of the fourth world a good bit more affirmatively than we have. The Europeans and Japanese have come up with some major additional programs of support, much to the surprise of many. The OPEC countries have committed about $2.5 billion of new money to these fourth world countries alone. Until the President made his move on increasing Public Law 480 title I levels 2 weeks ago, there really had been no major U.S. response to this set of problems.

I have a table in my paper that shows the status of shipments and how these countries have been funding their imports.

Finally, with respect to the seven recommendations, the first is that Public Law 480 amounts should be increased. I recommend that the Congress set a minimum amount for Public Law 480 each year as well as a current maximum authorized. I suggest a figure of 8 or 9 million tons a year, so this would be a known amount certain regardless of other grain exports.

Secondly, I urge that the Congress legislate a requirement to the executive branch to make earlier decisions, at least on a minimum amount of food aid. The waste and inefficiency of what has happened this year is absolutely mammoth. The United States is only going to get a fraction of the value on our food aid dollar the way it has been handled.

Third, I recommend that we grant back a far larger share of the proceeds of our title I sales to the fourth world countries. These countries are in acute distress, much more so than in the past. The other countries giving food aid today have about 80 percent of their food aid on a grant basis. We have only about 40 percent of our food aid on a grant basis.

Senator Dole. Other countries? We do most of it, do we not?

Mr. Grant. The food aid now from the other OCED countries is running $500 million a year. Ours is running for the same category about $730 million a year. This year, the OCED food aid will be larger.

The Chairman. What do you mean by OCED?

Mr. Grant. The food aid that comes out of the European Community, Japan, Canada.

The Chairman. The rest of the world?

Mr. Grant. This would not include the Russians or the Chinese.

Senator Dole. They are not doing anything, are they?

Mr. Grant. The Russians last year made a 2-million-ton food loan to India. The Chinese have extended a certain amount of food aid.

Senator Dole. We are doing more than all of those countries?

Mr. Grant. We are doing about the same as the rest of the world put together. We do provide, as you know, about half of the total food that moves in the world food trade.

My fourth recommendation is that title I food aid should be tied much more closely in the future to programs of developing countries for increasing food production.

Fifth, I pick up and amplify on the recommendations of the voluntary organizations testifying immediately before me on the need to

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increase title II food aid and to permit more long-range planning. My final recommendations are that Public Law 480 programing should be closely integrated with the world food reserve system and there should be improved reporting to Congress.

The CHAIRMAN. Your time has expired. I do want to compliment you on your statement, particularly the emphasis on trying to help people help themselves. I think in the long range we cannot be expected to try to feed the rest of the world. We do not have the capacity, we do not have the food, we do not have the resources.

I think what we ought to try to do is teach them to do more to help themselves. I believe one of the other witnesses quoted a portion of an incomplete statement. If you give a man a fish, you have to give him another one tomorrow. He will be hungry. If you teach him to fish, he can catch fish for himself the rest of his life. That is what I think we have to do more of.

Are there any questions?

Senator DOLE. I think it might be helpful if we could have some background on the Overseas Development Council. I am aware of it, I know it was organized—I just checked to make certain—in 1969. I know Father Hesburgh is the chairman.

If you could furnish that for the record, it might be helpful. There are so many groups coming in saying they represent so many people.

Mr. GRANT. I would be glad to.

[The following material was subsequently received for the record:]

The Overseas Development Council is a private non-profit research and public education organization dealing with the relationships between the U.S. and the developing countries. It was founded in 1969 by a group of business and academic leaders to help provide objective background information and global perspective for the public discussion and resolution of fundamental issues affecting U.S. relations with the developing countries. Our support comes from foundations, corporations and private individuals, and the Chairman of our Board is Reverend Theodore M. Hesburgh, C.S.C., the president of Notre Dame University.

The Council has both a research and public education function. On the research side, the staff is dealing with questions of global interdependence, the world food crisis, reform of the international economic system, U.S. trade policy, and the need for new development strategies. The Council also seeks to communicate the results of its work to a number of different audiences. The Council holds meetings and seminars here in Washington and works closely with the press and media. In addition, the Council has produced materials for use by religious organizations and in school curricula and our staff works with a broad range of citizen organizations.

The CHAIRMAN. Senator Clark?

Senator CLARK. One question following the chairman's question.

There is a common recognition or should be in this country that we cannot continue endlessly with food aid to feed the world. We just do not have the productive capacity to do that, with a growing population, forever. The short-term answer is food aid and the long-term answer has to be development of self-sufficiency.

What are we doing? You are head of an organization that studies development. What is our country doing in terms of assistance or other kinds of aid by way of development? How do we rank with the others? What is our record there, or what should it be in your judgment?

That clearly is the long-term solution. We cannot just depend on food aid forever.

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Mr. GRANT. You are absolutely right. The U.S. Department of Agriculture put out a very interesting study not too long ago pointing out that if there was an increased global cooperative effort, it ought to be quite possible 10 years from now to get the food import requirement of the developing countries to a point even less than it is today. That is in contrast to the commonly stated assumption at the World Food Conference that the problem is that the world import requirements will go from 20-odd million tons now to 85 million tons 10 years from now.

I would say that foreign assistance legislation that is now on the books as a result of the congressional initiatives in 1973 is really quite imaginative in its focus on our assisting food production abroad. The new approach is well spelled out in the current legislation. Also, there was an increase of authorization for food production assistance this year. The Congress has yet to act upon the appropriation. I would hope that could continue and expand in 1976 and beyond.

Frankly, I see a real possibility for tying Public Law 480 in wish an effort to increase food production because the real need in these countries is somehow to get the small farmers who control most of the acreage in the productive process. What they need is credit, farm-to-market roads, local facilities, education. In my judgment, if the governments to which we made the food aid available were prepared to agree to use the sales proceeds to augment rural development and food production, particularly with reference to the small farmer, we would then grant it back to them.

This is frankly the major suggestion I have in here. This way it seems to me we have a built-in system that the chairman was recognizing—the more aid you give, the more support there is to step up food production in the country itself.

Senator CLARK. I understood Mr. Parker to say today that that is what the money was being used for. They were trying to do that.

Mr. GRANT. One of the problems they have under the Foreign Assistance Act is that it is largely funds to be spent outside the country. There is a real need in many ways to have funds to spend for credit and local purposes inside the country, and with the payments that we get for the food aid, this would be a possibility.

Senator CLARK. How do we compare with other countries in regard to that kind of development assistance? Do other countries have development assistance in the same way?

How do we compare to them?

Mr. GRANT. They do. In the last few years they have pulled ahead of us to the point, as you know, our aid as a percentage of gross national product is down to one quarter of 1 percent, we are 14th of 16 industrial nations.

What has been most interesting in the last year or so is to watch the OPEC countries get into the development business. This year the OPEC countries will be providing more development assistance on concessional terms to the "fourth world" than the United States. In many ways it is very proper. They have a much higher price they are charging for their oil.

It is worth remembering, however, that we also have a much higher price we are charging for our food. The Indians, for example, have just finished buying $600 million worth of food from this country.

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That food cost them some $400 million more than if they bought that same food 2 years ago.

We are now proposing a food credit sale program to them of about $150 million. Our credit sales are not even half the size of the price differential we have gotten.

The CHAIRMAN. Thank you Mr. Grant.

[The prepared statement of Mr. Grant follows:]

STATEMENT OF JAMES P. GRANT [1] PRESIDENT, OVERSEAS DEVELOPMENT COUNCIL

PL 480'S THIRD DECADE—HUMANITARIAN FOOD AID IN THE POST WORLD FOOD CONFERENCE ERA

Mr. Chairman and Members of the Committee:

I welcome the opportunity to testify at your invitation on the need for food assistance in the new era that lies ahead. These hearings could not be more timely for several reasons.

First, the World Food Conference has outlined the principles for a cooperative global approach to solving world food problems, objectives to be achieved over the next decade and the institutional structures and the means for attaining them. Remarkably and on a scale never before equalled, a major global problem has evoked a truly global proposed response that is both comprehensive and massive. But the accomplishments of the World Food Conference remain largely at the level of rhetoric. Their meaningful implementation still lies ahead. It is in this new global policy context that PL 480 now needs to be considered.

Second, the world economy, in fact the world order, is in sore distress and still deteriorating, with the majority of the least developed countries, and their poorest in particular, being most adversely affected. Barring major international action the situation of the poor majority throughout the world can be expected to continue to deteriorate over the next several years. Droughts, the doubling and quadrupling of food and energy prices and associated dislocations continue to doom great numbers, possibly millions, to premature deaths from increased malnutrition and even outright starvation in 1975 and 1976.

Third, by last summer the United States, the food and fertilizer center of the world, was not implementing even the semblance of a global food policy—beyond that of maximum profits for agricultural exports. The past two years have given evidence of an accelerated, large scale erosion of the comprehensive set of humanitarian assistance policies that for twenty years served as a symbol for America's concern. United States food aid for FY 74 was less than 40 percent of its average volume for the late 1960s and early 1970s, and approximately one half of that greatly reduced amount went to Indochina. In some ways the United States has even aggravated the world food problem by misguided actions. New fertilizer sales to developing countries were effectively restricted from October 1973 to June 30, 1974, and even now developing countries pay far higher prices for purchases of nitrogenous fertilizers from American suppliers than do American farmers. As the world food system has been disintegrating under the impact of a number of short term and long term trends, so has United States food policy; only with the World Food Conference has the reversal begun. Many of the basic policies for the future remain to be decided.

Fourth, the U.S. Government still appears to be displaying an appalling lack of urgency in addressing immediate food needs of those facing death from increased hunger and malnutrition as a consequence of the crises and disasters of the past two years. In the year of the greatest world hunger since World War II and its immediate aftermath, the United States did not decide on food aid levels under PL 480 until late January 1975, after seven months of the fiscal year had elapsed. As of early February, 1975, the private agencies engaged in food assistance overseas still did not know the amounts they would receive under PL 480 Title II; nor were country allocations for concessional sales of food under PL 480 Title I public knowledge, if in fact they had been made. Less than 20 percent of the food aid had been shipped by early February, even though the most acute need in many distressed areas will be in the late spring before the winter crops are harvested. In fact, some knowledgeable observers seriously question whether all this aid can be physically shipped before the end of the fiscal year four months hence.

[1] The views expressed in this statement are those of the individual, and do not necessarily represent those of the Overseas Development Council, or of its directors, officers, or staff.

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Fifth, the Congress has made a major contribution over the past two years to the shaping of the newly emerging and hopeful proposals for United States food policies. The need—and potential—for a continuing Congressional contribution remains very great.

I. THE WORLD FOOD CONFERENCE—A POTENTIAL "BRETTON WOODS"?

The World Food Conference at Rome in November 1974 came at a time of world crisis easily comparable to that of the mid 1940s and of the late 1920s and early 1930s. In addition to the cyclical and short term factors—widespread droughts—the unprecedented global boom of early 1970s, the Yom Kipper war—there also were a number of important longer run secular factors.

Important among the secular factors is the fact that recent economic growth rates have apparently outrun the capacity of the world's economic, social, and political systems to respond and adapt fast enough to sustain them. Like the short circuits in an over loaded electrical system, a rash of societal breakdowns are resulting from man's apparent inability to adapt his institutions fast enough to permit a continuation of the rapid increases in output required to satisfy the demand resulting from unprecedented increases in population and affluence and to meet the demands of poorer nations and people for a more equitable sharing of the proceeds of growth. As the world has moved from the $1 trillion economy of the late 1940s into the $3 trillion economy of the early 1970s, it has begun to experience ecological overloads in its cities and lakes, political overloads as growing demand shifted oil from a market for buyers to one for previously weak sellers, and actual production overload in food and fertilizers demand has physically outrun the traditional forms of supply. Not only have food reserves dropped sharply, but the Food and Agriculture Organization projects that in the absence of special measures the cereals deficit of the developing countries would rise by 1985 to a staggering 85 million tons a year, compared with 16 million tons of net imports in 1969/72.

The response of countries to the changing energy and food situations has been dramatically different. The primary emphasis in the response to the energy crisis has been that of confrontation, with the "new rich" and the "old rich" pitting themselves against each other. There is no agreement on either long or short term objectives, and many countries particularly the poorer ones, are being seriously and unnecessarily injured as a consequence

The approach to the food issues at the World Food Conference and subsequently could not be more different. The hope of the Conference was captured by Secretary Kissinger in the closing words of his address at Rome:

"Let the nations gathered here resolve to confront the challenge, not each other.

"Let us agree that the scale and severity of the task require a collaborative effort unprecedented in history.

"And let us make global cooperation in food a model for our response to other challenges of an interdependent world—energy, inflation, population, protection of the environment."

The promise of the Conference is that it treated the food problems as being global in scale and warranting an unprecedented global response involving all nations as required to meet the need. Global goals and objectives were set and means proposed for meeting them—over the long, medium, and short term. The one serious short coming—the failure to agree on the specifics for increasing food aid to meet the emerging needs of the immediate months ahead—should have been largely overcome by President Ford's late January decision to increase American food aid for FY 1975 by an additional two million tons to a total of some 5.5 million tons.

The World Food Conference resolutions have such promise that *if implemented in a meaningful fashion*, the Rome Conference ten years hence may, in my judgement, take on an institution launching image somewhat comparable to that now attributed to the Bretton Woods meeting which led to the establishment of the International Monetary Fund and the World Bank. The Conference goals address needs over the long term for increasing production in the developing countries, for building a new world food security system, and for providing more immediate aid. Its resolutions propose a complementary family of institutions to address every major aspect of the world food problem, and has skillfully sought to involve all the major potential actors on the global food scene: a World Food Council of 36 members representative of the new world balance, a Consultative Group on Food Production and Investment to help ensure action on key investment and production problems, an Agricultural Development Fund to encourage

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increased financing from the richer OPEC countries, a system on world food security to involve the major grain exporters and importers, an improved policy for food aid, etc. A major effort was made to involve the USSR, the PRC and the OPEC nations to a degree appropriate to their potentials for helping to mee and overcome world food issues.

Since virtually all the World Food Conference resolutions require furthe action—and elaboration—before they can be given meaning, the accomplishment of the Conference still remain largely at the rhetorical level and in their promise future collaborative effort. The early establishment of the World Food Counc by the General Assembly with Dr. John Hannah serving as the acting executiv secretary and of the important Consultative Group on Food Production an Investment under the Chairmanship of Edwin Martin hold out encouragemen that the Conference resolutions are being taken seriously by governments an international institutions. Possibly even more important as tests are whethe serious negotiations get under way and make progress toward establishing an international system of national grain reserves, early agreement is reached on guaranteeing at least 10 million tons of food aid a year, and whether additional funds are forthcoming to increase external assistance for increasing agricultural production from some $1.5 billion annually at the present time to an amount closer to the $5 billion said to be required to step up food production substantially in the developing countries. The importance of the latter is brought out in the USDA's latest estimate that there need be no increase in the grain import requirements of the developing countries by 1985 *if* usage of fertilizer is increased by 1 to 1½ percent a year above the 1960–72 trend growth commonly assumed in the use of fertilizer between now and 1985.

II. THE PLIGHT OF THE FOURTH WORLD—AND THE UNITED STATES RESPONSE TO DAT

Some 30–40 countries—mostly located in South Asia, Sahelian Africa, and, t a lesser extent, the Caribbean are most seriously affected by the "system overload for oil, food and fertilizers—they are acutely distressed as a result of higher price for these commodities without significant offsets from higher prices for th products they sell. The most severely affected countries—a new "Fourth World of some 1 billion very poor people living in countries with per capita income mostl under $200—face the likelihood of negative growth over the next 5–7 years in th absence of major rescue measures. The World Bank projects a *negative* 4 percen growth in per capita income for these countries for the years 1974–80. Their ne share of the identifiable increases in costs for their fuel, food, fertilizer and othe essential imports is over $3 billion, of which approximately half consists of th increased costs of imports, notably food and fertilizer, from the industrial countrie Malnutrition, and with it death rates, will increase noticeably in these countrie which include some 80 percent of the estimated 460 million malnourished peopl in the world. Understandably, Governments are toppling under these stresses.

The rest of the world has begun to respond to the plight of these countrie and their need for both increased emergency aid and for long term develop ment support but in a highly uneven fashion. The Japanese and the Canadian have each pledged increased aid of $100 million or more; the European Economi Community has pledged $500 million additional but has conditioned much of i on additional aid from the OPEC countries and the United States. OPEC b lateral commitments to these countries are now estimated at approximatel $2.5 billion, with additional sums having been pledged to multilateral institution This comes to over one percent of their GNP for these countries alone. Th United States has been conspicuously slow in responding despite the fact tha our total economic aid disbursements for all countries is now down to approx mately .25 percent of GNP and the United States is possibly the single large beneficiary of the additional $3 billion these countries are paying for their import because of higher costs of food, fertilizer and oil.

President Ford's reported decision to increase PL 480 food aid to approximatel $1.6 billion for the shipment of approximately 5.5 million tons of grain for a countries under Title I and II should belatedly improve the relative position c the United States response. As can be seen from the attached, less than 20 pe cent of Title I food assistance had been shipped by early February, and none t India which has already bought more than 3 million tons of grain in the Unite States alone out of its own scarce financial resources and at a cost of some $400 mi lion more than if purchased in 1972.

As shown in the table below the unfilled needs of the most severely affecte countries required by next July 1 still totalled some 4.8 million tons as of Januar 24 according to FAO estimates and some 3 million tons as of January 31 accordin to USDA estimates. Both figures are shocking indictments of the workings of th world system since the amounts involved in late deliveries represent hunger an malnutrition for millions on the one hand and just a small fraction of the grai actually wasted in the industrial countries each year on the other.

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TABLE 1.—FOOD GAP IN MSAs AND AMOUNT FILLED BY AID AND COMMERCIAL PURCHASES

[FAO—Jan. 24, in millions MT figures approx.]

	Food deficit July 1	Commercial purchase	Food aid	Present deficit
All MSAs	17.0	9.1	3.1	4.8
India	8.5	5.8	.9	1.8
Bangladesh	2.5	.7	.9	.9
Pakistan	1.5	1.1	.2	.2
Sri Lanka	1.3	.7	.1	.5

FAO estimates of world food deficit (¾ being closed by commercial purchases)

	Million tons
July 1	17.0
November 29	7.5
January 24	4.8
January 31	[1] 3.0

[1] USDA estimates.

TABLE 2.—TITLE I FISCAL YEAR 1975 (AS OF FEB. 10)

	Agreements				Shipped			
	Wheat		Rice		Wheat		Rice	
Country	Metric tons	Amount	Metric tons	Amount	Metric tons	Amount	Metric tons	Amount
Vietnam[1]	50	$9.0						
Korea			60	$22.8			28.4	$11.4
Chile	187	33.6			101.9	$18.1		
Egypt	300	54.0			147.7	26.5		
Jordan	20	3.6			19.5	3.6		
Syria	75	13.5	25	9.0				
Israel	50	9.0			47.0	8.5		
Cambodia			209	88.5			166.2	70.1
Bangladesh	200	36.0	200	84.5	191.9	35.6	50.0	21.7
Pakistan	100	18.0			94.5	17.6		
India (300,000 MT wheat agreement pending)								
Total	928	175.7	494	204.8	602.5	109.9	244.6	103.2

[1] Total agreements (wheat and rice) equals 1,476,000 metric tons or $380.5. Total shipments (wheat and rice) equals 847,100,000 or $213,100,000. Plus 2,600,000 metric tons or $7,200,000 in tobacco to Vietnam, Cambodia, and Egypt.

III. PUBLIC LAW III'S THIRD DECADE—SOME RECOMMENDATIONS

The United States, which now ships approximately half of all the grain that moves in world trade and more than two-thirds of the grain that moves in trade between the regions of the world, should retain PL 480 as an important foreign policy and humanitarian instruement of the American people. But certain improvements are recommended to make PL 480 more relevant to the changed needs of the decade that lies ahead.

1. Amounts Should Be Increased

Food aid over the balance of the decade should be returned to *at least* the levels of approximately 9 million tons averaged in the late 1960s and early 1970s with at least 70 percent being earmarked for the most severely affected countries. The World Food Conference has recommended a minimum of 10 million tons of grain for food assistance annually; the most severely affected countries are going to be facing staggering financial difficulties over the next five years with extremely serious problems of hunger and malnutrition, and this amount is not excessive for the United States at a time when its aid has declined to the point of being among the lowest among the industrial nations as a percent of GNP (.25 percent) and the richer OPEC countries are now committed to providing a far higher share of their GNP for aid over the next several years. It does mean, however, a conscious decision to give a high priority to food aid and not to continue to treat food aid for poor nations and hungry people as the residual use of food and budgetary resources.

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2. Earlier Decisions

The decisions as to food aid for Fourth World countries and for voluntar agencies should be made early each fiscal year. The process followed in 1975, (delaying the major decisions until early February, could hardly have been mo inefficient and has led to great waste at a time when the lives of millions are ; stake. The legislation might specify a date, such as September 15, by which tl allocations of say the first 6 million tons of food assistance will have been mad

3. More Grants for Most Severely Affected Countries to Spur Food Production an Development

The Fourth World countries will be in acute financial distress over the next five years, and probably for most of the 1980s, and will face massive problems of hunger and malnutrition. At the same time they have great potential for increasing their food production, particularly through labor intensive means, and the World Food Conference has called for greatly increased assistance for this purpose as one of its central recommendations. A majority of United States bilateral food aid has been provided on credit terms in recent years in sharp contrast to the practice of other countries, which provide such assistance primarily on a grant basis. The OECD estimated that in 1973 the United States provided $425 million of its $730 million in bilateral and multilateral food aid on a loan basis, whereas the other OECD countries provided only $107 million of their $500 million in food aid on a loan basis.

It is proposed, therefore, that the legislation state that proceeds of Title I PL 480 be granted back to the most severely affected countries where it is determined that these can be effectively utilized to advance the priorities set forth in the Foreign Assistance Act to advance food production and rural development, education and health and population programs.

4. Title I Food Aid For MSAs Should Be Tied More Closely To Increasing Food Production and Related Programs

Two accusations are frequently levelled against food aid. The first is that it usually results in adversely affecting domestic food production, either by depressing food prices unduly or by permitting local government to avoid facing difficult decisions required to increase domestic food production. The other is that put forth by the proponents of "triage" and "lifeboat" theories—many of the poorest countries are hopeless and to help them only delays the day of reckoning and deprives others of resources which they could use effectively. There is some substance on occasion to the first contention, and very little to the second *if* a serious comprehensive effort is made at the time the food assistance is provided to address the food production problem, and particularly to involve the small farmers. We are learning that where small producers are effectively involved in increasing production their yields can double and triple and birth rates drop sharply as the improvement in their way of life greatly increase their motivation for smaller families.

If the PL 480 legislation assures minimum levels of food aid for the future and early decisions on country levels, and sales proceeds are granted back for development, food assistance can become a major partner in a comprehensive food production effort in many countries, thereby answering both the criticisms so often levelled at food aid.

5. Title II Food Aid Should Be Increased and Assured

With the greatly increased need for humanitarian assistance in the Fourth World at this time of crisis and for increasing food production in these countries, far, far more could be accomplished with the Title II assistance dollar if quantities and kinds of commodities are known well in advance. Private voluntary agencies have demonstrated that they can accomplish a great deal with food for work, nutrition and maternal and child welfare programs if they only have a sense of assurance on supply. If the United States Government had multiyear firm programs with voluntary agencies the already satisfying return on the assistance given them could be greatly increased. Many of these organizations have the flexibility and management capacity to pioneer new approaches to difficult welfare and development problems, many of which can later benefit larger programs of governments. But to do so truly effectively far more assurance is required with respect to their receipts of Title II supplies.

6. PL 480 Programming Should Be Closely Integrated With The World Food Reserve System

The International undertaking on World Food Security endorsed by the World Food Council contemplates a system of increased food stocks in both the principal

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exporting and importing nations. However, storage is both more difficult in the more tropical countries and a more onerous financial burden in these poorer countries. Under these circumstances an assured PL 480 supply could be integrally linked in negotiation with respect to an adequate reserve system for countries in, say, Africa and South Asia

7. Improved Monitoring and Evaluation Reporting To Congress By the Executive Branch

PL 480 since its outset has been a uniquely cooperative enterprise between the Congress and the Executive Branch. Congress has voted multiyear authorizations at generous levels and appropriations are provided virtually automatically on the basis of CCC reimbursements. In recent years the Executive Branch has increasingly taken this unusual and valuable delegation of authority for granted, to the detriment of both its relationship with Congress on this program and, in my judgement, the quality of one of the most creative and useful programs ever created by any government.

One alternative is, of course, to seek recourse in the annual process of authorization and appropriation followed with respect to aid under the Foreign Assistance Act. This would have disadvantages however, in terms of improving the efficient long term use of food aid along the lines discussed earlier. The alternative is both to provide the Executive Branch with more guidelines and to improve the monitoring and reporting process of the Executive Branch. The former approach was followed in requiring that 70 percent of all food assistance go to the most seriously affected countries, and I have suggested several more in my testimony: minimum as well as maximum availabilities, increased grants tied to increasing food production, etc. These could be usefully complimented by a much more comprehensive and timely series of reports and evaluations to the Congress on PL 480 which might encompass follow-up on World Food Council resolutions as well.

The Foreign Assistance Act enacted in December 1973 a requirement that the President establish a Development Coordination Committee consisting of representatives from Executive agencies that have a major impact on, or interest in, the development of the poor countries to advise him on coordination of United States policies and programs affecting the development of the developing countries. This body might be an appropriate source for more comprehensive and timely reports to the Congress.

Another alternative of course, for improving the dialog between the Congress and the Executive Branch on this set of issues would be for the President to appoint a "food czar" as has been recommended by a number of prominent Senators and private individuals.

Conclusion

Food has always been central to life itself; a fact many Americans have tended to forget along with the importance of the American farmer who produces for himself and more than 50 others, when food in North America seemed in such endless abundance. The events of the past two years have provided a rude, but necessary, awakening. Death rates are up in many parts of the world as rising food costs have contributed as much or more as rising oil costs to the double digit global inflation of the past two years. The prospects for the global order and well being of another bad weather year like that of the current year are horrible to contemplate; and the experts paint a distressing picture of the prospects of the poorer countries in the absence of major collaborative international action to change present trends. This crisis in food has come at a time of other shortages and a whole new set of challenges to the established views and expectations of only two and three years ago. As Secretary Kissinger said in a television interview on January 16: "I feel we are at a watershed. We're at a period which in retrospect is either going to be seen as a period of extraordinary creativity or a period when really the international order came apart politically, economically, and morally. I believe that with all the dislocations we now experience, there also exists an extraordinary opportunity to form for the first time in history a truly global society carried by the principle of interdependence. And if we act wisely and with vision, I think we can look back to all this turmoil as the birth pangs of a more creative and better system. If we miss the opportunity, I think there's going to be chaos."

The United States at the World Food Conference has helped pioneer the *beginnings* of a dynamic and unique approach to the world food problem, and a revised and up dated PL 480 program has a major role to contribute if this new approach is to achieve the potential the world so desperately needs.

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The CHAIRMAN. The next witness is Herbert Waters, president, American Freedom from Hunger Foundation.

STATEMENT OF HERBERT WATERS, PRESIDENT, AMERICAN FREEDOM FROM HUNGER FOUNDATION

Mr. WATERS. Mr. Chairman, my name is Herbert J. Waters. I am appearing before you as president of the American Freedom from Hunger Foundation, but basing my observations and comments on extremely close involvement with our bilateral and multilateral food aid programs since their inception.

My statement is prepared in three parts, Mr. Chairman, but my intention is to only present orally the summary highlights of my observations and suggestions, and ask that the balance of the presentation be included in the hearing record.*

The American Freedom from Hunger Foundation is a nonprofit voluntary organization created at the request of former President John F. Kennedy in 1961 for U.S. citizen participation and involvement in the worldwide freedom from hunger campaign previously launched by the Food and Agricultural Organization of the United Nations. Historical records will show that President Kennedy acted upon a call for greater nongovernmental involvement in the freedom from hunger campaign voiced by a distinguished member of this committee, Senator Hubert H. Humphrey, in an address to the annual meeting of the Farmers Union Grain Terminal Association in St. Paul, Minn., in December of 1960—after President Kennedy's election, but before his inauguration. Prior to that time the United States did not have any formal mechanism for nongovernmental relationships with the FAO freedom from hunger campaign, despite the impressive record of many dedicated American voluntary agencies in helping alleviate hunger, and the conditions causing hunger, throughout the world following World War II.

My role as president of the American Freedom from Hunger Foundation is one of volunteer, unpaid service, but one which has permitted me to maintain close liaison with the work—and problems—of American voluntary agencies maintaining humanitarian and development food programs abroad, with the U.S. Government officials involved in administering food and development programs, and with the FAO, world food program, UNICEF, and other international agencies involved in such programs.

The American Freedom from Hunger Foundation is unique among some groups in this voluntary field in its equal concern over hunger, and the underlying causes of hunger, at home or abroad. It regards food aid, at home and abroad, as a vital and necessary component of social and economic development efforts necessary to eliminate the causes of hunger and malnutrition. We have chosen as our major objective for this year a concentrated grass roots educational effort to stimulate public awareness and determination to implement recommendations of the World Food Conference, in order to achieve the high resolve and goals to which the U.S. Government and other governments of the world committed themselves in Rome last November.

Perhaps it will help to qualify me as a witness, Mr. Chairman, to recall that in addition to my work with the American Freedom from

* See p. 879.

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Hunger Foundation I have had an exceptional opportunity to watch and participate in the operation of programs under Public Law 480 from a variety of other vantage points—as a staff member to a U.S. Senator on this committee deeply involved in creation of the basic legislation and its refinement and improvement in its early years; as an Assistant Administrator for the Agency for International Development assigned with supervisory responsibility over food and agricultural programs; as a member of U.S. delegations to conferences of the FAO and meetings of the Intergovernmental Committee administering the world food program of the FAO and United Nations; as well as a private businessman involved in advising developing countries on food supply problems and seeking greater commercial utilization of high protein food products introduced through food aid programs.

During these varied roles. I have personally visited food aid projects and programs in some 65 countries around the world, I have established and kept close contact and liaison with voluntary agency personnel working overseas, food officials of developing countries, and key officials of international agencies as well as our own governmental agencies involved in such programs.

Mr. Chairman, there are 10 major observations, conclusions, and suggestions which I desire to summarize as highlights of my testimony.

(1) Despite all the problems of changing conditions and changing attitudes over the years, and some occasional abuses or misinterpretations of the real intent of the Congress, overall the program has been a significant success. It has made significant, constructive contributions to all the varied objectives set forth in the legislation. It has been popularly supported in the Congress and by the American people, from groups of widely varying interests. Millions of children are alive and healthier today because of it; millions of people have a better image of the true humanitarian spirit of our country because of it; new markets have been developed for American agriculture because of it; and the effectiveness of our social and economic development programs financed by appropriated dollars for AID have been greatly enhanced because of it.

Historically, it will be recognized and credited as an impressive pioneering effort that led to acceptance of food aid as a vital part of international social and economic development, and a greater sharing of food aid by other producing countries.

(2) The program needs to be strengthened and improved, not curtailed or abolished. For that reason, the review by this committee is particularly timely. For the next decade, the program should be geared specifically to the goals and objectives to which the United States committed itself at the World Food Conference.

While many of the resolutions of the World Food Conference provide useful guidelines toward which our own food-for-peace program should be directed in the future, perhaps they can best be summarized in the opening resolve of Resolution I on "Objectives and Strategies of Food Production," based upon the keynote speech of Secretary Kissinger to the Conference, declaring:

> * * * that all governments should accept the removal of the scourge of hunger and malnutrition, which at present afflicts many millions of human beings, as the objective of the international community as a whole, and accept the goal that within a decade no child will go to bed hungry, that no family will fear for its next day's bread, and that no human being's future and capacities will be stunted by malnutrition.

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That should become the measuring rod for administering—and evaluating—U.S. food aid programs for the next decade, as a specific and related part of overall developmental efforts implementing the Conference's recommendations.

(3) To achieve that purpose will require greater emphasis on the title II type of food donation programs most directly reaching and involving people in specific projects, rather than the major emphasis on just transfer of food resources under title I agreements that too frequently have become just budgetary support for other governments.

Resolutions of the World Food Conference on food aid themselves call for increased emphasis on food donations in bilateral programs, rather than just concessionary sales; but there are other additional strong arguments on behalf of the shift in Public Law 480 emphasis. Food donation programs involve getting food directly to people who need it the most, and who lack the resources to buy it in the marketplace. Concessional sales help a government save food import costs, but the food usually moves just through commercial markets out of the economic reach of the poorest of the poor. Food donations are also tied more directly to specific projects calling for more careful planning, programing, and administration than merely transfer of resources under title I agreements.

(4) Effective programing for changes of this kind, however, will require earlier commitment of commodity donation levels, earlier program approvals, and firmer commitments over longer timespans. They must be commitments that can be relied upon, to avoid off-and-on, start-and-stop food distribution policies necessitated by short-term and uncertain food allocations.

Good project development for food donations requires advance commitments of administrative manpower and money for distribution arrangements and project supervision. They require commitments of other governments to cover inland transportation and storage costs. They involve far more detailed planning and management than just relying upon the commercial marketplace to distribute food such as is usually done under title I agreements. But it is that more detailed planning, and better management, that assures more effective results of food aid, and best assures getting it to the people who need it most. Neither receiving governments nor sponsoring agencies for such projects however, can commit the money and manpower to such effective programing and administration unless there is firmer assurance of the availability of commodities to carry out such projects on a longer timespan basis, hence the need for earlier commitments and firmer commitments.

(5) The greatest asset we have available to make people-oriented food aid programs and projects more effective is the experience and management know-how of the dedicated overseas personnel provided by the American Voluntary Agencies for Service Overseas—groups like CARE, Catholic Relief Services, Church World Service, Lutheran World Relief, and similar nonprofit voluntary groups participating with the U.S. Government in programing and distribution of food commodities under title II programs. Financed by private contributions of the American people, these agencies reflect the people-to-people spirit of humanitarian compassion and willingness to share vital to public acceptance and support for such programs, and also vital to extending the real image of America to the rest of the world

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better than straight government-to-government agreement can convey.

The competence of these agencies, and their dedication to humanitarian service, greatly extends the capability of limited government staffs available to plan, operate, and manage food aid distribution programs and projects reaching directly to the people needing assistance the most. In turn, the voluntary, nonprofit nature of such agencies provides more flexibility of dealing with other governments on a nonpolitical commitment basis than can be achieved by our Government alone.

(6) The world food program of the FAO/U.N. was patterned after our own bilateral title II program, distributing food on a project basis. It has helped establish acceptance of the effectiveness of food aid as a development tool internationally, as well as helping increase food donations from other countries. Like all international institutions of governments, however, it can only be as effective as member governments make it.

If we are going to expand participation in the world food program, or expect it to take on greater responsibilities carrying out mandates of the World Food Conference, we must make available to it the experience and resources of more American staff people, including those of the voluntary agencies, to improve project management and proper handling of food supplies. If we want the WFP to do a better job, we must be prepared to help them do a better job. That requires good management people, as well as money and commodities; it requires sharing our own trial-and-error experience of food aid over the years of our pioneering efforts in bilateral programing.

(7) For many different reasons, it is most desirable to encourage use of processed product rather than unprocessed agricultural commodities in food donation programs, particularly high protein food blends specifically designed to meet nutritional requirements and providing the most nutrient value per ton of commodity shipped. It makes maximum use of our advanced food technology, helps create jobs at home at a time when they are needed, and assures more specific nutritional emphasis in food aid programs.

(8) There is also a role and need for some form of concessional sales programs, but we may need to redefine the purposes and guidelines for selection of countries for such programs, and provide more careful followup on the uses to which the Government is devoting the benefits of the low-cost credit for its food supply. We need to establish some higher priority for countries willing to use the long-term credit to assure food for social programs and purposes, rather than just feed it into commercial channels for general budgetary support of the Government.

(9) Farmers have a vital stake in food aid programs, both in the short run and the long run. Farm programs geared to full production with commitment for use, even if it involves Government purchase, will be more acceptable to the public than programs geared to cutting back production to assure fair return to farmers at a time when people in the world need food. If the Government is going to ask producers to continue allout production, then I think farmers in turn have every right to ask the Government to reveal, at plantingtime, some minimum level of commitment what it intends taking off the commercial market and purchase for food assistance.

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(10) There's nothing wrong with a program like food for peace having multiple purposes or objectives it can serve, as long as we have clear guidelines as to the priority order and relationship of such purposes or objectives. It is when we list alternate objectives, without any priorities, that it becomes a convenient, wide open grab bag leading to administrative confusion, conflict, abuse, and misunderstandings at home and abroad. There's nothing wrong with the program serving our foreign policy objectives, if we have the right priorities in those foreign policy objectives. We can gain more respect for our country with a foreign policy geared to compassionate concern for people everywhere than we can with policies designed to seek short run political power advantage for ourselves—and we would better exemplify our heritage of liberty and justice for all.

[The remainder of Mr. Waters statement begins on p. 879.]

The CHAIRMAN. Thank you Mr. Waters.

Are there any questions?

Senator CLARK. One very brief question, Mr. Waters. You have been a part of the coalition for hunger and a number of other different organizations in the country. Would it be your advice to the Congress to continue to control the amount of food that goes to the MSAs, or do you think that is a bad route for us to go?

I am speaking of 70–30 amendment approach.

Mr. WATERS. In general I think the guidelines in the legislation in the Foreign Assistance Act were necessary at the time and probably more responsible for the increased allocation of food aid than any changes in the commodity supply or anything else. We have talked to a number of people that worked on various task forces and studies. There is no question that one of the determining factors to get a large enough 30 percent for commitments already made, was the need to have a bigger total allocation.

I recognize some validity in the comments of the witness from the State Department as to how very difficult it is at times to totally narrow these definitions. I think we solve this problem to some degree, if you approach it from the standpoint of a greater balance to the food donation program than now given, because if they are project oriented and the projects are designed for specific countries to fit in this category, it really would provide the type of self-help support much more than the general terms of present concessional sales arrangements.

I know it was testified here that all these concessional sales require—even though they are non-MSA countries—they require certain commitments from another government. If those concessional sales, however, were committed in a process of political negotiations—and the conditions must be rewritten after the fact—you know they are not going to carry much influence.

Senator CLARK. Do I understand that you are saying the reason the administration raised the levels of food aid as far as they did was because of the necessity to get under the 30-percent portion of the amendment—political commitments—and because of that they raised food aid as far as they did?

Mr. WATERS. I think that was the deciding factor after a long period of uncertainty.

Senator CLARK. Thank you.

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The CHAIRMAN. Senator Dole.

Senator DOLE. Very quickly—we have to have 10 witnesses in 20 minutes here—what do you base that on?

Mr. WATERS. Watching very closely day to day, Senator, the discussion going on with the staff of the White House, the USDA, and AID, and having discussions with some of the people in the State Department that worked on the policy alternative options that they proposed, how they were struggling to find ways to achieve both objectives, both the objectives that Congress wanted on one hand, and the objectives that they have in the State Department on the other.

Senator DOLE. Thank you.

The CHAIRMAN. Thank you very much. It was nice to have you back on Capitol Hill again. We appreciate your contribution.

[The following material was referred to on p. 874.]

STATEMENT OF HERBERT WATERS, PRESIDENT, AMERICAN FREEDOM FROM HUNGER FOUNDATION

Mr. Chairman, I would like to support these ten points in more detail.

HISTORICAL BACKGROUND

Enactment of the Agricultural Trade Development and Assistance Act in July, 1954, was a historical milestone with continuing international significance. While there is no doubt that much of its support at the outset was mobilized around the objective of getting rid of what the United States then regarded as burdensome food surpluses, there were supporters from the very beginning who felt strongly that our country's ability to produce food in abundance could be a tremendous force for good in the world, and that it was better to produce for use than to cut back production in a hungry world lacking the resources to buy all the food it needed. While initially proposed as a temporary measure, each extension of the act attracted additional support as its benefits and success stories far outweighed its occasional criticism and costs. It is significant that the legislation became popularly accepted in the Congress as a "sweetner" in comprehensive farm legislation, because it was usually less controversial and more universally supported than other phases of farm legislation.

Early reviews of the program showed convincingly that the "surplus disposal image" of the legislation was damaging, both to the attitudes of those administering the legislation in the U.S. and in recipient countries as well. More and more the realization grew that the legislation served constructive purposes far beyond just surplus disposal, and repeated efforts were made in Congress to officially reflect that change in attitude.

While gradual improvements were made with each extension of the authority, including an amendment in 1960 to authorize grants of surplus agricultural commodities to promote development, it was not until 1966 that the Act was extensively revised with the intent of getting away from the surplus concept and recognizing other objectives in their own right. The 1966 amendments emphasized the importance of food aid as an instrument to combat malnutrition and to promote agricultural self-help and voluntary family planning activities in developing countries, and removed a previous statutory requirement that agricultural commodities must be in a "surplus" market situation before they could be eligible for sale or donation. The amendments at that time also authorized the Commodity Credit Corporation to pay the costs for enrichment, preservation, and fortification of the donated commodities. The provisions of the Act as amended in 1966 have been extended substantially unchanged, through December 31, 1977. They have permitted many improvements in the program, but they did not go far enough. Despite the expressed intent of Congress to eliminate the "surplus" image, a loophole was left in the Act that has created uncertainty over availability of commodities and threatened curtailment or serious disruption of food donation programs. It is a loophole still unplugged.

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GEARING TO THE NEXT DECADE

We respectfully suggest that the U.S. Government, and the U.S. Congress, should do no less than gear its basic food aid legislation to conform to the commitments it proposed and supported at the World Food Conference, commitments that should at least cover the ten-year time span of the next decade. We further suggest that all the resolutions of the World Food Conference be analyzed for guidelines applicable to our food assistance legislation, particularly those relating to forward-planning, longer-range commitments, and greater nutritional emphasis. We should practice what we have preached—and now is the time to do it, by adaptation of P.L. 480 to assure we can and will live up to our commitments in principle, made in Rome, without the constant uncertainty over weather, annual crop production, annual budgetary limitations.

GREATER EMPHASIS ON TITLE II DONATED FOOD AID ASSISTANCE

Using the World Food Conference resolutions for guidance supports this conclusion. So does practical experience in getting food aid to the people who need it most. So does recent experience in distortion of Title I agreements toward more political purposes rather than humanitarian or development purposes. It is under the present Title II authority that voluntary agency projects are conducted, that most disaster assistance programs are conducted, and that contributions to the World Food Program and other international agencies like UNWRA and UNICEF are provided. We believe this type of assistance best reflects what the public expects of the Food for Peace Program rather than mere concessional sales of food to other governments to be re-sold commercially in the market place—out of reach of the poorest of the poor.

EARLIER AND LONGER-RANGE FOOD AID COMMITMENTS

World Food Conference resolutions called for greater forward-planning and longer-range commitment by food aid donors; we supported such resolutions. We are ill-prepared under present legislative authority to live up to those commitments.

Similar independent conclusions of this urgent need have been reached by the Advisory Committee on Voluntary Foreign Aid of the Agency for International Development. In a study completed last April—prior to the World Food Conference—entitled "The Role of Voluntary Agencies in International Assistance: A Look to the Future", the advisory committee recommended, in part:

"In order to respond to critical world-wide food shortages, new Congressional legislation is needed to assure the availability of U.S. food for overseas emergency needs and development assistance programs in the developing countries. To this end: (a) Explicit statutory recognition should be given by the Congress to the priority of meeting America's humanitarian obligations and moral commitment to alleviate basic food needs among the poor in developing countries. Such obligations should not be dependent, in theory or in fact, upon the existence or absence of food "surpluses" in the United States. (b) Special emphasis should be accorded by statute to assistance programs using food aid which contribute to the development of indigenous sources of food and which cope with long-term developmental problems in developing countries."

Later, at a workshop in June of last year including representatives of the Advisory Committee, USDA, AID, the Office of Management and Budget, and several voluntary agencies, dealing with the mechanisms for administering the PL 480 Title II program, the uncertainty of commodity availability was identified as a key problem, and a summary of the discussions declared, in part:

"A positive approach to the resolution of some of these issues can be made by including food needs when considering crop production plans and in determining applicable fiscal and administrative procedures. It was suggested that many of these questions can be resolved if a new system is devised, perhaps with legislative sanction, to provide a predetermined humanitarian component as part of a comprehensive food production and allocation."

Congress itself, in the Foreign Assistance Act of 1973, recognized the problem and attempted to liberalize availability for Public Law 480 programs by expressing "the sense of the Congress" that (1) the Executive Branch should consider expected demands for humanitarian food assistance in making assessments which would affect or relate to the level of domestic production, and (2) legislation providing increased flexibility for responding to emergency and humanitarian requirements for food assistance should be considered as promptly as possible to

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the end that Public Law 480 may be amended to permit the Secretary of Agriculture to determine that some part of the exportable supply should be used to carry out the national interest and humanitarian objectives of Public Law 480.

Despite the 1966 amendment and the "sense of the Congress" expression of concern, the donation program continues to be confronted with uncertainty as to the share it will receive in USDA's annual commodity availability and allocation process. Recognizing the emphasis generally accorded to commercial export sales and concessional sales for dollars or convertible foreign currencies, the donation share takes on the appearance of being at the bottom rung of the ladder in the scheme of priorities.

Administering the donation program under this environment has become and continues to be particularly troublesome for AID, USDA, and program sponsors, especially U.S. voluntary agencies.

We seriously doubt if even discretionary authority to the Secretary of Agriculture would solve the problem. We feel legislation should recognize the necessity for some predetermined level of humanitarian food component as a part of the commodity availability and allocation process as a programming minimum, with flexibility to expand if excess production is available.

IMPORTANCE OF VOLUNTARY AGENCIES

We are not sure the tremendous value of the contribution of the American people themselves, through American voluntary agencies operating overseas, is always fully appreciated. Without the experience and dedication these agencies bring to our food programs, they would be far less effective. They are a unique international expression of people-to-people concern; they are carrying the concept of voluntarism and self-help all over the world.

They are not just "giving away food". They are organized and sponsoring humanitarian and development projects in cooperation with desires of indigenoes people and governments of developing countries, as well as in cooperation with the United States Government. They are working with our government on a partnership basis that requires mutual respect, not subservience. They deserve to bu brought into the programming process at an earlier stage, and have a voice to be considered in guiding government decisions.

They are the groups our government depends upon most heavily in case of emergency or disaster, as they have experienced manpower on the scene or nearby. They have an excellent record of cooperating with our government, and with each other, in such cases, always putting the needs of people ahead of all other considerations.

STRENGTHS AND WEAKNESSES OF THE WORLD FOOD PROGRAM

We helped create the World Food Program of the FAO and United Nations, and we are still its largest individual contributor. Yet we have not been very aggressive about providing experienced manpower to work in its programs in developing countries. Success or failure of WFP projects are often the direct result of experience, or lack of experience, in a developing country's management capabilities, or the strength or weakness of the WFP country representative in insisting on good management. Our country has had more experience with food aid programs than any other country, and has the greatest reservoir of experienced food aid administrators. We should insist upon more of them being involved with the multilateral programs, if we are going to make more use of multilateral approach as suggested by the World Food Conference. One encouraging development coming out of recent discussions, including some at the World Food Conference, is an indication of greater interest by WFP of making use of U.S. voluntary agencies to help manage programs in countries where they already have experience and acceptance. We believe this approach should be encouraged by our government wherever possible.

USE OF PROCESSED PRODUCTS

Instead of providing just agricultural commodities under food aid, commitment of processed products keeps jobs at home and retains processing by-products here needed in our own feed industry. At the same time it assures supplies of food for distribution that are designed for direct use by the recipient-consumers, rather than for subsidizing processing industries in other countries. It has been encouraging to see the movement of our Title II programs toward the use of low-cost, high protein blends of cereals and oilseeds, improving the nutritional

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quality of our donated foods and getting the highest nutritional value out of each shipping dollar expended. Introduction of these new low-cost high protein products in our bilateral food aid programs, and our contributions to the WFP, have already created a broad new interest in the development of such blended foods out of indigenous products in many countries, a trend being encouraged by the Protein Advisory Group of the United Nations. Resolutions of the World Food Conference recognized the desirability of this objective and called for such enrichment and fortification of donated food products wherever possible.

CONCESSIONAL SALES PROGRAMS

Since the inception of P.L. 480, the greatest movement of food has been in this form under Title I agreements: originally, for local currency; now, for long-term dollar credit. For many reasons it now seems an appropriate time to review the relationship between such "sales" and the food donation programs. In effect, the Title I sales are "program assistance" and the Title II donations are "project assistance". A better case, in some respects, could be made for the Title I sales in the earlier days of sales for local currency, when the U.S. and recipient country could jointly program the currency engendered back into mutually agreeable development projects. However, the more directly these transactions have been shifted to have the appearance of commercial sales, such as moving to dollar credits even though heavily subsidized by low interest, the less leverage the U.S. Government has had on insisting how the recipient government "use" the proceeds from its credit purchases. Over the years these programs have developed far more controversy than the food donations.

It first developed over the accumulation of "excess" local currency, which became inflationary when not plowed back into the economy at the time the food resources were imported. It later developed criticisms that our food aid was discouraging local production, because the imported food aid was moving in local commercial markets in competition with local production. Project food aid of the type used in food donation programs of Title II have escaped this criticism because it is going directly to people outside the normal market economy, and therefore has little if any effect on local agricultural market prices.

Latest criticism of the Title I "program assistance" agreements has resulted from the ease to which such programs are distorted from their original intent and used to pay political debts or to exert political influence rather than being used for true developmental or humanitarian purposes.

The need appears to be for shifting emphasis between the two types of programs, and providing clearer guildelines for Title I programs—not eliminating them entirely. One area that deserves more consideration and exploration is some degree of priority consideration to developing countries that will use the long-term credits to buy food for free distribution in their own social programs like school lunches and maternal health-care centers, rather than re-selling it in the market place. Certainly a different set of critieria should be provided for such programming compared to that used for what has been the traditional Title I sales.

THE FARMER'S STAKE

While the purposes of our food assistance do and must go much further than just marketing of U.S. farm products, farmers do have a stake in the levels of our food assistance planning—and in knowing as early as possible how much the government intends to divert from commercial markets. Too often in the past the levels of food aid have not been determined until long after the farmer has sold his crop, with any resulting benefits of bolstered commodity prices not being shared adequately with the basic producer. While food aid constitutes but a very small proportion of the farmer's export market, it can have a significant effect on that market. If the government has a right to ask the farmer his intentions to plant, the farmer should have the right to ask the government its intentions to buy—and he should be able to get an answer before he makes his planting decisions. Longer-range commitments to food aid can become of increasing importance to maintaining adequate domestic incentives to all-out production, at a time when the public is less likely in a mood to accept deliberate curtailment of farm production to achieve higher unit prices. General Motors can shut down its plants and lay off its employees whenever it overproduces. No one asks them to go on produc-

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ing to keep people employed, and letting the market place determine the price for the surplus cars. Yet that is just what our nation asks of our farmers. If we are asking him to produce in abundance—and to have enough, we always need to plan for more than enough—we need in turn to give him some assurance that the government will purchase and divert to food aid some predetermined share of his exportable supply.

MULTIPLE OBJECTIVES

One of the unique distinctions of Public Law 480 is that it *has* successfully served many different purposes and objectives, sometimes at different times, sometimes at the same time. What appears to be needed is clearer definitions of priority in our objectives, coupled with a recognition that there's nothing wrong about extra "bonus" benefits gained for America's international image, America's foreign policy, American farmers, or the American processing industry—if the original programming was targeted at the right priority objective, for the right purpose, as intended by the Congress and the American people. What is wrong, and will eventually undermine public faith in the program unless corrected, is deliberate "stretching" of intent and objectives to achieve some short-run political objective that has no relationship to what Congress intended, or what the legislative history of the program supports.

In our opinion there would be support, not opposition, to closely linking food aid with humanitarian and development objectives, to closely linking it with nutrition and health objectives. In fact, we think the closer food aid programming can be linked with technical assistance programs of AID in agricultural development, nutrition, health, and family planning, the better the results that can be obtained. And the closer that American voluntary agencies can be involved in this process, through sharing in planning as well as in managing such programs based both upon food resources and appropriated dollars, the more successful results we will achieve. Unfortunately, too often in the past dollar-programming has gone in one direction while food aid programming has gone another. They need to go hand in hand, all concentrated toward implementation of the total broad objectives and concepts of the World Food Conference. If they do, they will gain and retain more public support. If they don't, that support will falter and programs will likely fail.

From the American Freedom from Hunger Foundation, we pledge our efforts to help maintain that public support—if the Congress and the Administration redirects its programs in the right direction: toward meeting the most urgent needs of hungry people.

It is our intention to work with other voluntary organizations, not in competition with any of them. It is our hope to be able to use our grass roots support to make them more effective in mobilizing voluntary contributed resources from the United States, and to help find the personnel and management talent necessary to make their programs more effective overseas. We believe strongly in the role of American voluntary participation in our international development efforts, with particular emphasis upon social and humanitarian concern—and we think we can provide the leadership in improving that participation in many ways.

We have already been supporting such voluntary programs, financially. Over the past six years we have raised and contributed more than $11,000,000 to projects operated by other voluntary groups, at home and abroad. Last year, while our major efforts were devoted to sponsoring the educational efforts of the World Hunger Action Coalition involving some 75 American organizations, we still raised and contributed from our trust funds more than a quarter million dollars to specific projects. Already, in 1975, we have moved another $13,586.67 in such project funds to hunger projects. We plan to disburse another $9,124.22 within the next three weeks. We are proud of our low overhead record of taking only 15% for administrative and educational efforts, and devoting the remaining 85% of project funds we have raised to assist projects in the U.S. and abroad.

We know that Congress, and our Government, can go only as far as the American people will support them. We know it is up to us—the American people—to make known, and make known strongly, our views and desires in meeting the needs of the world, at home and abroad, in wiping out the scourge of hunger.

We have pledged ourselves to that cause.

Thank you, Mr. Chairman. I will be glad to answer questions on any of my observations.

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Appendix I

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Appendix II

'S FROM REMARKS OF HERBERT J. WATERS, PRESIDENT, AMERICAN OM FROM HUNGER FOUNDATION, IN EDUCATIONAL FILM, "THE RIGHT T"

A DECLARATION—THE RIGHT TO EAT

ıst produce enough food for every human being on earth—and we can.
ıst prevent the violence in the world that hunger breeds—and we can.

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We must help reduce the world's population growth rate by raising all peoples standards of living—and we can.
We must establish and maintain a World Food Reserve to meet any emergency—and we can.
We must be willing to make a firm commitment to share more of our own food production in humanitarian and emergency food assistance—and we can.
We must make wider and more efficient use of sources of protein and other nutrients that do not waste the world's resources—and we can.
We must support research and development in food technologies and adjust our own eating habits to alternate sources of nutrition—available—now—and and we can.
We must realize that all nations are inter-dependent—and use our resources for our mutual benefit—not as weapons—and we can.

The CHAIRMAN. The next witness is Robert G. Lewis, national secretary, National Farmers Union.

STATEMENT OF ROBERT G. LEWIS, NATIONAL SECRETARY, NATIONAL FARMERS UNION

Mr. LEWIS. I commend the committee, Mr. Chairman, for holding these hearings. I think we are in trouble with these programs, and I think we are having trouble understanding what the problem is.

I have submitted a statement for the record which includes a study, a thorough study, that we have made in the Farmers Union of this problem of world hunger.* On the basis of that study, and of our deliberations and careful consideration in watching and supporting this program for the past 20 or more years, we call for congressional action to raise farm price supports to encourage the expansion of farm production, and to authorize shipments of Food for Peace to be increased sufficiently to absorb the full productive potential of American farmers at full parity prices.

We think this kind of commitment would be in the national interest of the United States. We think, moreover, that it can be done on a basis that will pay financially, as compared to what we have been doing in the past.

One of the common misconceptions is that the world is running out of food-producing capability, and that this is the reason why people are hungry. That is just not true. We are harvesting in the world only about two-fifths of the potential arable cropland each year, and the rest of it remains undeveloped and unharvested because the demand for food in the market is not strong enough to bring forth the necessary investment, the commitment of labor, management, and all of the other things that would be required to put that land into production.

Here in the United States, we have reached in the 1970's, in this present decade, the lowest harvested acreage in the United States in this century, since the 1890's, only 280 million acres. That is because farm prices have been too low, and farmers have been getting out of the business. We have been scaling down our agricultural plant.

Another misunderstanding is the idea that we are now in an unusual hunger situation. That is not true. We have had about as many malnourished people in the world, about half a billion, while we had food surpluses, as we have today.

There are two principal changes that have brought the extent of world hunger very much to our attention. One is that the reserve

* See p.898.

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situation has changed. Our reserves are down. We do not now have the stocks for meeting those minor but extreme situations that attract attention. This problem of depleted stocks was made in Washington primarily, and also to some extent in Ottawa, Canada, by a policy of low farm prices and deliberate measures to cut food production over the past several years.

There are other changes in the food aid situation. We have been scaling back on our Food for Peace shipments for the past decade or so, and now we are at the lowest point in volume since the program was begun 20 years ago, about one-fifth the level—one-fifth the level of the peak Food for Peace shipments 10 years ago.

What we think we need to do is, first, to expand donations under title II to the limit for meeting the needs for famine relief, emergencies, and particularly for dependent and vulnerable groups, particularly children.

Second, revive the use of title I soft currency sales as a trade development tool to fully absorb the productive capacities of U.S. farmers at parity prices.

Third, to activate the Food for Work amendment adopted several years ago for the use of soft currency for creating jobs in public works in the hunger countries.

Fourth, to correct the trade barriers and other injustices that hamper the poor countries' ability to trade, to earn money, so that they can buy their food, not only from American farmers and Canadian farmers, but even from their own farmers. The people who are hungry are hungry because they cannot buy food, and the primary need in the world is to develop the world economy so that employment can be offered to the billions of people who, with their families, are now hungry.

Thank you.

The CHAIRMAN. Thank you very much. We appreciate your contribution.

Are there any questions?

Senator DOLE. I read your statement and I think that it is good. I do not agree with everything you are saying, but I think it is a very good, detailed statement.

One quick question I have with reference to food sufficiency: do you think it is a mistake to try to bring about food sufficiency in developing countries? Did I read that correctly?

Mr. LEWIS. It is a mistake to concentrate, as a first goal, on encouraging any country as its first national goal to seek self-sufficiency in food. I think what the country does ought to be determined by where it has its greatest comparative advantage.

Senator DOLE. You are not opposed to that in the long range?

Mr. LEWIS. I think every country should be able to feed itself, either by producing or by buying. In a country like Hong Kong or Singapore, obviously these are nation city-states, and obviously, it would be ridiculous for them to try to be self-sufficient in food; but it is equally ridiculous for Germany to try to be self-sufficient in food. It is far better for Germany to concentrate on making Volkswagens and buying wheat and soybeans from the United States.

The same thing might be true in some of these other developing countries. I think the same principle that is applied for Singapore or West Germany ought also be applied to western Africa and India and other developing countries.

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Senator DOLE. Thank you.
The CHAIRMAN. Any further questions?
Thank you very much. We appreciate your contribution.
[The prepared statement of Mr. Lewis follows:]

STATEMENT OF ROBERT G. LEWIS, NATIONAL SECRETARY, NATIONAL FARMERS UNION

Mr. Chairman, I commend the Committee for scheduling this hearing on the world hunger problem and the policies and programs of the United States that relate to it. This review is needed urgently. Our policies, and much of our thinking about the problem, are in serious disarray.

The stake of the American people in this issue is second to none in importance. It is a problem that raises grave dangers for the future of our own people, and to word civilization.

At the same time, it raises tremendous and largely unrecognized opportunities for advancing the economic and political interests of the United States, for realization of the humanitarian and social goals of the American people, and for helping to deal successfully with many of the grave problems that are ahead of us in this era of change and danger.

The slogan "Food for Peace" is more apt today than ever before as a description of the national aspirations that have given rise to our past efforts and present concerns with the issue. It is no exaggeration, in my view, to say that the peace of the world and the salvation of human civilization depends upon how well we meet the challenge of world hunger.

CAUSE OF PROBLEM IS MISUNDERSTOOD

Despite all our good intentions, much of what we have done, what we are doing now, and what we are considering to do in the future, is doomed to futility.

The central cause of our difficulty arises from the prevailing misconception of the nature of the problem of world hunger, which results in our looking at it upside-down. This fundamental misconception can be summed up as follows:

"That the world's ability to produce food is being overtaken by population growth, and that this is why so many people are hungry."

That's not true.

Only two-fifths of the world's 7,880 million acres of potentially arable land is now being harvested each year.

The United States has much more unused cropland than any other industrialized country. Our harvested area in the early 1970's had shrunk to the smallest size in the Century, only 280 million acres, from the peak of 360 million acres harvested in the 1930's.

Study after study by the world's leading agricultural resource economists in the U.S. Department of Agriculture and elsewhere, indicate that if present trends are continued, large surpluses of farm commodities are likely to be produced in the world for as far ahead as forecasters can realistically project. That will be so, these experts agree, unless measures are taken to restrict output either directly, or by maintaining prices to farmers below their costs of production.

The resources and technology that are available in the world are sufficient to increase world food production fairly quickly, and by large measures. Further advances in technology can provide further increases. Sufficient food can be produced to feed double the present world population by the end of this Century without exceeding the capacity of the world's available and potential farming resources and technology.

But to accomplish this will require that appropriate economic and political conditions be established. That is what this hearing is about. That is the paramount business of this Committee and its counterpart in the U.S. House of Representatives, and of the U.S. Department of Agriculture in the Executive Branch.

PRESENT "CRISIS" ACTUALLY NOT UNUSUAL

Why, then, are so many people hungry?

Even before the "crisis" of the present period, the number of malnourished human beings in the world had reached half a billion or more. This is despite the fact that world food production has grown almost constantly year by year since the end of World War II. Even per capita food production in hungry countries has grown, although only slowly.

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The highly publicized hunger of the past two years is only marginally different from the "normal" situation—"chronic" is a better word for it—of the past thirty years. It is a serious misconception to regard the present "crisis" as a significant departure from the usual situation.

The world hunger problem with which we are confronted today is neither new nor different. It is the long-familiar paradox of hunger co-existing with food surpluses.

POLICY CHANGES RESPONSIBLE

Indeed, the present apparent shortage was created directly and specifically by policy decisions of governments, primarily of the United States and Canada.

A recent study by the Farmers Union reveals that shipments of food from the United States for hunger relief overseas has been cut to little more than one-fifth as much as ten years ago. During the time that "Food for Peace" shipments were being drastically curtailed, payments to U.S. farmers for holding cropland out of production were increased sharply, setting an all-time record of $3,566 million in 1972. In that year, one acre was held out of production in the United States for every 4½ acres that were harvested. Also in one year during this period, the Government of Canada encouraged and compensated its wheat farmers to cut their planted acreage to only half of normal.

The potential food that was sacrificed as a result of these governmental programs would have been more than ample to meet all the needs that have arisen in the present world food crisis, with ample reserves left over.

A copy of this study, including full documentation of operating results of both the U.S. Food for Peace program and various agricultural production adjustment programs, is attached, and I request that it be made a part of the record following this statement.

Why, then, are so many hungry?

Because they can't buy food.

I do not know of anyone on earth who has money to spend for food who is hungry. The immediate cause of hunger, wherever on earth it occurs, is the lack of money in the hands of hungry men and women to buy the food they need for themselves and their children.

HUNGER CO-EXISTS WITH SURPLUSES

As the result of deliberate policy changes made by governments, world reserves of food are now at low levels. Consequently, food aid shipments, which have never reached more than a small fraction of the people on earth who were malnourished, have been reduced to even smaller scale. But it is essential to recognize that there have been for many decades hundreds of millions who have been desperately hungry, while huge unmarketable surpluses have piled up, depressing farm prices, and continuing to suppress the expansion of agricultural production, indeed reducing America's own harvested cropland acreage to the smallest area since the 1890's.

And in all probability, unless specific policy decisions to prevent it are made by the Government of the United States and, to a lesser extent, of Canada, there is every likelihood that this situation will return soon and persist in the future.

The facts surely refute the incredible misconception that the reasons so many are hungry in the world is because we do not have the ability to produce enough food. Nevertheless, the misconception persists. And this upside-down view of the problem leads to futile, and even foolish efforts in the name of "solving the hunger problem".

The trouble is that attention has been locked-in on the wrong end of the economic equation—on supply, when the real problem is with demand.

DOMESTIC FOOD PROGRAMS FOCUS ON DEMAND

This is illustrated by our own experience here in the United States: In 1961, our reserve stocks of farm commodities were the largest ever possessed by any country in the history of the world. At that very time, we probably had more malnourished American citizens than ever before in our history.

How silly it would have been for us to attack malnutrition in the United States in 1961 by redoubling our efforts to increase the supply of food!

What we did, of course, was to get busy at fixing up the demand end of the equation. We instituted the Food Stamp program. We increased our federal donations of food for school lunches. We established a school breakfast program for hungry children. We increased food donations to welfare institutions.

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Most important of all, we pursued economic policies which increased employment. and soon reduced unemployment to about three percent of the work force.

And we went on to institute a "War on Poverty" with the aim, and in the hope, of exterminating poverty in the United States both by increasing job opportunities for our hungry citizens, and by increasing their capacity to work, to get and hold jobs, and to earn their daily bread. We established Youth Conservation Camps, and a Neighborhood Youth Corps, and a "Green Thumb" program to provide jobs to needy older citizens in rural areas. Unfortunately, all of these jobs creating initiatives have been allowed to languish or die during the past few years.

There is a positive lesson to be learned from this experience with hunger in America that is applicable to the problem of world hunger: The real cure for hunger is jobs, earnings, and purchasing power for food.

DIRECT FOOD AID UNCERTAIN AND SLOW

But there's also a harder lesson that we need to recognize: The United States is the world's richest country, with one of the strongest, most competent, and most humane governments on earth. But it took even such a government as ours until 1961 to begin making a concerted attack on hunger among our own citizens by means of direct action to provide food aid. And this attack has proceeded only slowly. Even today, the first place that the Administration looked when it sought to reduce government spending was to cut back on the Food Stamp program.

This American experience should teach us not to expect the governments of the poor countries, with much less capability to govern, and much less public commitment to social justice, to use "surplus" food effectively to feed hungry people by means of direct subsidization of food for the poor.

WE DON'T PREACH WHAT WE PRACTICE

Despite our own experience, much of what we have done, and much of what is being discussed and advocated about world hunger, runs counter to the realism that is evident in our attack on hunger in America. The concentration is almost entirely on increasing the supply of food, while all but ignoring demand.

This is even worse than putting the cart before the horse. It's like sticking the caboose out in front of the train, and then hitching on all the boxcars and coaches and Pullman cars—and leaving the engine out altogether!

If you want a train that will really go someplace, it is necessary to start out from the very first with an adequate engine. The engine that's essential for getting the hungry fed is purchasing power for food.

There is a useful place for providing technical information and guidance in better farming methods to farmers in the hungry countries. But no boxcar full of new "know-how" will get any place at all unless there are people with money who will buy what the farmers produce.

The truth is that most of the farmers in the world already "know-how" to farm better and more productively than they can afford to do. If the engine of effective demand can get cranked up, it will pull forth a tremendous increase in food output long before anything can get delivered to the farmers in the way of new "know-how".

But if we start out with nothing but the baggage cars, and no engine, we'll stay stalled on the tracks and never get anywhere.

DIRECT FOOD AID NOT FULL ANSWER

The other major element in what is now being proposed to deal with world hunger is to provide emergency food relief for famines and natural disasters.

This has been an important part of our traditional Food for Peace program, generally undertaken under Title II of P.L. 480.

Food aid grants under Title II are necessary and desirable and should be expanded as far as they can be made to go. But it is essential to recognize the limitations on how far such charitable operations can be stretched toward meeting the needs of the hungry.

That potential must be measured against the reality of a half a billion or more people on earth who are downright malnourished. "Malnutrition" means the lack of sufficient food to maintain good health and to sustain productive work activity of adults, and to assure full body growth and to prevent mental and physical retardation due to dietary protein deficiency in growing children.

The best we have ever done to furnish Food for Peace aid—even when the annual volumes shipped were three or four times as great as recently—never reached more

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than a tiny fraction of all the people who were suffering from malnutrition. I doubt that it will ever in the future be expanded sufficiently to reach more than a small percent. I am almost certain that charity will never suffice to feed a majority of even those who are most desperately hungry.

Charity has another limitation that is even more important, in my view. Charity is unworthy as a way of life—for giver and taker alike. Charity engenders in the giver, all too often, a mistaken sense of self-righteousness. This often leads to the imposition upon the receiver of a tax of gratitude that is unendurable, particularly when it demands humilating displays of dependency and inferiority.

On the other hand, the struggle of recipients of long-term charity for the defense of dignity almost inevitably leads to hostility toward their benefactors. As a long-term proposition, charity is likely to produce much hate and little love. Charity is best restricted to short-run tasks of an emergency nature, in which both giver and receiver will recognize the gift as an expression of the solidarity of mankind against such adversities as might temporarily befall anyone. Title II of the Act and the operations conducted under its authority respect these limits.

EXCHANGE—NOT CHARITY

For the long-term, the commerce that is necessary or desirable among individuals and nations is best conducted on the basis of exchange, not charity. A good trade is its own reward to both parties; both buyer and seller feel their condition improved as a result, and it is not necessary for either party to invoke great efforts of loving will in order to facilitate the transaction and to prevent destructive side-effects.

The Food for Peace law, as originally conceived, reflects a realistic appreciation of the limitations upon the usefulness of charity. It is significant that the full formal title of the legislation authorizing the "Food for Peace" program is the "Agricultural Trade Development and Assistance Act of 1954."

Moreover, the first two policy goals declared by Congress in the Preamble of the Act are "to expand international trade" and "to develop and expand export markets for United States agricultural commodities".

DEVELOPED HUGE NEW JAPANESE MARKET

The program worked successfully in its early years as a "trade development" tool. The outstanding illustration of this is Japan. After the end of World War II, U.S. food was supplied to the Japanese as emergency relief under the authority of various laws predating Public Law 480, during the military occupation of that country. From zero in 1945, our agricultural exports to Japan have climbed to the multi-billion dollar level in recent years.

But the bare statistics do not fully illustrate how creatively and meaningfully the purpose, "to develop and expand export markets for U.S. agricultural commodities", has been fulfilled.

Before 1945, the Japanese people did not consume significant quantities either of wheat or dairy products. But under the Food for Peace program, supplies of wheat and dairy products were made available to needy families and welfare institutions, and especially to Japanese children in their school lunch programs. The food from America was accompanied with nutrition information, and professionaly qualified efforts to adapt the products to Japanese taste, and to promote the acceptance by consumers of the unfamiliar new foods from America.

As a result, Japanese consumers were "taught" through the Food for Peace program to use, and to like, and eventually to buy, American-styled foods and farm products. As Japan's economy recovered, its consumption of new types of food from America, which had been inititaed by donations, and then sustained by sales on concessional terms under the Food for Peace program, were continued and expanded further on fully-commercial terms. Japan is now the largest single overseas market for U.S. farm commodities.

A number of other countries have passed all or part of the way through the "trade development" process, from food donations to concessional soft currency and credit sales, to a long-term market on fully commercial terms for U.S. agricultural and food commodities. Italy, Taiwan, Hong Kong, and South Korea are the outstanding examples.

ORIGINAL POLICY WAS REVERSED

Unfortunately, the "trade development" mission of the program was directly reversed beginning in 1966. In its place, a new policy was instituted of pressuring the less-developed countries to direct their economic development efforts toward

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the goal of national self-sufficiency in food production—and beyond that—to strive for exportable agricultural surpluses. The new policy was initiated by administrative action, and later incorporated in the amendments to the legislation that were adopted in 1966.

The new policy direction has been continued to the present time, and it is being further extended and reinforced by current policies by the Administration.

The principal emphasis in the position taken by the U.S. Government in the World Food Conference in Rome last year was placed upon its commitment to provide technical assistance and financial subsidies to promote increased agricultural production in other countries. The U.S. Government is also exercising its diplomatic influence to encourage the oil exporting countries to invest in expanding agricultural production in other countries. The World Bank and most of the concerned welfare organizations in the United States appear to go along with this policy as well, I hope only because of lack of understanding of its shortcomings.

ALSO BLOCK TRADE WITH POOR COUNTRIES

The promotion by the United States of the goal of national self-sufficiency in food production in the developing countries is accompanied by continuing and intensified resistance to the expansion of imports of those products wherein the hungry countries have their main comparative economic advantage, and which they could offer in trade to obtain the foreign exchange that they need to buy imported food and other capital-intensive products from the United States.

The shift in American policy away from the promotion of expanded trade with the developing countries and toward promotion of goals of self-sufficiency is a serious mistake. It is harmful to the interests both of the United States, and of the developing countries themselves.

U.S. NEEDS FOOD MARKETS

The United States is by far the world's dominant factor in world trade in grains and high-protein oilseeds. In 1973, the last year for which data are available, the share contributed from the United States of the total volume traded in the world market was 50 percent for wheat, 65 percent for corn and other feedgrains, and 85 percent for soybeans. Even in the case of rice, of which the United States produces only a few percent of the total world production, 24 percent of all the rice in world trade originated from the United States.

These commodities provide about three-fourths of the world's human food supply, both that which is consumed directly as cereal food and that which is converted into animal products.

Most of the world's food supply is consumed in the countries where it is produced. But the strategic and economic significance of that portion which is in excess of domestic requirements and available for export is of enormous proportions. The role of the United States in food is comparable to that of Saudi Arabia in petroleum. We have not been taking effective advantage of our "food power" in the national interest of the United States, and the new policy of promoting self-sufficiency in food production in other countries further erodes and squanders and betrays our national interest.

The action of the Organization of Petroleum Exporting Countries in concerting to increase the prices of exported oil is only the most conspicuous example of a trend that we can expect to proceed with increasing momentum in years ahead, as world shortages of many kinds of vitally important non-renewable raw materials places growing strains upon the economies of the United States and other developed countries.

Food is the most evident strong suit that we have to rely on to generate the foreign exchange we are sure to need in growing amounts. We should now, more than ever before, be seeking to develop and expand our markets for agricultural commodities instead of squandering our ability to do so, while encouraging and subsidizing the expansion of foreign competition.

POLICY HURTS U.S. FARMERS

The present U.S. policy is directly contrary to the interests to U.S. farmers. Our farmers must depend upon export markets for one-fourth or more of their feedgrains, soybeans, and cotton, and no less than two-thirds to three-fourths of their wheat. The price levels for the entire output of these export crops is totally dependent upon the prices that can be obtained in the export market. Moreover, because of the basic significance of these export crops, the fact that grain is the

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major raw material used in the production of livestock and poultry products, and the fact that export crops compete for the use of land, labor, and capital with all other farm commodities, the general price level of all other agricultural commodities is basically dependent upon world market prices of our export crops.

Our supplies of basic farm commodities are short at this time. But there should be no illusion that "surpluses" may not return to impose their cruel potential burden upon farmers in the United States. If last year's weather had been normal—instead of the worst for feed grain production in a quarter-Century, grain farmers would be suffering ruinous prices today. If the 1975 crop conditions are normal, there is a grim likelihood that production will again outrun commercial demand at adequate prices, and grain and soybean farmers will be confronted with depression-level prices, as has already happened for producers of cotton, livestock, and milk.

This does not mean we do not expect that the developing countries, and other agricultural producing countries as well, to endeavor to increase their food production, nor even that the United States should refrain from helping them in that endeavor. But we do insist that our Government's first priority should be to protect and advance the interests of our farmers and the national interest of the United States in securing the share of an expanding world market for food to which our comparative economic advantages entitles us. It is ironic that an Administration that professes to subscribe to a principal of "market orientation" in the pricing and production of foodstuffs should waste the market-building potential of our recent and potential surplus productive capacity, discourage U.S. food production by abandoning measures to promote agricultural commodity price stability for our farmers, and block the expansion of imports from the poor countries that could generate the foreign exchange that would absorb increasing quantities of our agricultural products.

NEW POLICY HURTS POOR COUNTRIES

This new American doctrine of promoting national self-sufficiency in food production in the poor countries is adverse to the real interest of the poor countries themselves.

The true comparative economic advantage of these countries lies in their abundance of labor. Modern farming—any kind of farming that is at all efficient—is highly capital-and-skills-intensive. It is precisely this—capital and skills—that the poor countries lack.

Not only are farm prices in the world market usually chronically low in relation to real costs, but they are extremely unstable as well.

Moreover, investments in modern farming produce far fewer jobs than in industry. In the United States, the average farm investment per man-year of employment is nearly double the average investment per worker in manufacturing industries. Yet throughout the past two decades, the market value of products created by the average farm job has been only one-third as much as the average product per job in manufacturing industry.

It is economic nonsense to propose that countries like India or Pakistan should strive to increase their investments in agriculture under present circumstances at the cost of retarding their urban industries' expansion and jobs-creation.

POLICY SHIFT IS NEEDED

The doctrine that the poor countries of the world must give their highest priority to achieving national self-sufficiency in food production is based on the theory of economic development propounded in Stages of Economic Growth by W. W. Rostow, a former Harvard professor, who was a special counsel to President Johnson. In brief, Rostow contends that the poor countries should seek, first and foremost, to expand and modernize their agriculture. He contends that their objectives in doing so should be: First, to gain an exportable surplus to earn foreign exchange, or to substitute for imports, in order to buy industrial capital equipment needed as the basis for a modern economy. Second, to secure tax revenue from the modernized farms to pay for roads, schools, and other public works required as a foundation for a modern economy. And third, to secure loanable or investment funds from modernized farmers' profits to be used for initiating industrial development.

The Rostow theory is exactly wrong.

Rostow's thesis does not describe accurately even the history of what development was like a Century ago. But as far as the modern world is concerned, it completely overlooks the two all-important, vital new factors that have arisen since World War II.

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First, the population explosion—which is creating workers far faster than jobs can be found for them, either on farms or in the cities. This means that there is no present need to reduce labor requirements on the farms by mechanizing agriculture, as Rostow supposes.

Second, the existence in the world of modern scientific agriculture. This affords the means to produce an abundance of food to meet all foreseeable requirements. Moreover, it can be done with very low requirements for the employment of labor.

As a general rule, directly contrary to Rostow's dictum, the poor countries should put their first priority on expanding their manufacturing sectors, rather than their agriculture.

NON-FARM JOBS URGENTLY NEEDED

In an economically logical world, the poor countries would be best advised to stress creation of non-farm jobs in public works and manufacturing industry, both for existing city populations, and for the inevitable tide of migrants coming from the rural areas. They should if anything seek to retard the movement of labor out of farming, even at the cost of high domestic food prices, so as to discourage overly-rapid migration to the cities.

Instead of relying upon agriculture to pull their economies up by the bootstraps, as Rostow contends, the poor countries should stress the development of prosperous urban manufacturing sectors so that their economies can sustain relatively high domestic food prices. This should be accompanied by policies of promoting labor-intensive small-farm agriculture. Then the returns to farm families would be sufficient to provide the means for human development in the forms of education, health care, and nutrition in the rural areas where the majority of the populations now live, so that the oncoming generation will be prepared for jobs in non-farm industry, and for the fewer but more exacting jobs that will exist in a modernized agriculture.

The course of economic development which I propose here is essentially what Japan did following World War II. The brilliant land reform and food and agriculture policies of Japan since World War II were instituted and designed by policy advisors from the United States under the Military Occupation regime. It is a pity that this approach to economic development was displaced by the Rostow doctrine.

What Rostow prescribes is approximately what has happened in the Southeastern United States since World War II. There, particularly in cotton farming, machines, technology, and other forms of capital have been introduced at a furious pace in order to reduce production costs. The labor thereby displaced was ignored until it reappeared as our urban crisis of today.

At the end of World War II, about 20 percent of the U.S. population was employed in agriculture. That has been reduced in a quarter of a Century to five percent. The displacement of labor out of farming is one result of our dramatic advance in agricultural productivity, achieved by substituting capital in the form of machines, technology, and science for human labor. Our own urban economy—the strongest on earth—has not been able to absorb the displaced farm workers.

But in the poor countries, the situation is far more serious on all counts. In India, for example, the farm population represents about 70 percent of the total. The urban economy is already overburdened with nearly unbelievable rates of unemployment and under-employment. When I visited India and Pakistan in 1967, the estimates given to me by practical farm operators of the rate at which it would be possible to displace human labor by the introduction of tractors ranged from fifteen to one hundred men, plus equal numbers of teams of oxen, for each tractor!

If the swift displacement of human labor out of American agriculture has created our most grave domestic crisis in a Century, it is simply appalling to contemplate the fantastic distress and disruption that will result in the poor countries of the world if they follow America's advice and hurry their farm laborers off the land before urban jobs are created to employ them.

In the long run, the enlargement of demand—of purchasing power in the hand of the half of the world that is now malnourished—will need to depend upon improvement in the terms of trade of the United States and other prosperous industrialized countries for imports of those products, largely manufactured goods, which poor countries can produce competitively by virtue of their abundant low-cost labor.

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TRADE POLICIES BY-PASS HUNGRY

The trade policies of the developed countries, including the United States, are seriously biased against the welfare and interests of the poor countries. Harry Johnson, in his study, "Economic Policies Toward Less-developed Countries," prepared for the Brookings Institution, says that the effective barriers raised by present tariff rates for labor-intensive manufactured goods are as high as several hundred percent of the value added by labor.

These are the very kinds of goods that the world's hungry could make and sell competitively, to earn the food they need.

These are the very kind of imports that would do most to reduce the American cost of living and to suppress inflation.

And last but not least, these are the kinds of imports that would generate the largest proportionate return in demand for exports of food from American farms—demand for the very products in which the United States possesses the greatest comparative advantage.

But in the face of this pervasive bias in trade policies against the poor countries, in more than a decade of negotiations, first in the Dillon Round during the Eisenhower Administration, and later in the Kennedy Round in the 1960's, the tariff reductions which were achieved were applied mainly to products which predominate in the trade between the prosperous and industrial countries. The new U.S. Trade Act does little or nothing to correct that bias, and may even make it worse.

REVIVAL OF 'FOOD FOR PEACE' VITAL

A rejuvenated Food for Peace program, with appropriate emphasis on the "trade development" potential, which is the "pay-off" phase of the program, is the best place to begin to remedy these short-comings, and thereby to launch an effective attack against world hunger, while defending and advancing the national interests of the United States and the American farmers.

The scope for repeating the development of expanded markets for American farm products extends immeasurably beyond the extraordinary achievements in Japan and the several other countries where it has been successfully applied. Nearly half the human race want to eat more and better food. But they remain hungry, primarily because they lack for jobs whereby they could earn the means to buy food. This vast hungry population represents a huge potential market for American farmers. This huge potential market can be developed in the years ahead, just as the Japanese market was developed, with the Food for Peace program leading the way.

To accomplish this, we recommend the following action by Congress:

(1) To ensure that actual shipments under the Food for Peace program will be increased, insofar as supplies are available, to a scale approximating the full levels of expenditure authorized by Congress. As production expands and supplies increase, Food for Peace authorizations should be increased sufficiently to fully absorb the productive potential of American farms at full parity prices.

(2) To authorize and direct that long-term food aid and trade expansion agreements be negotiated with hungry countries which will be designed to lead into an enduring pattern of commercial two-way trade wherein U.S. farm commodities can be exchanged for goods and services from the food importing countries.

(3) To require that increased use be made of the proceeds of Title I concessional sales of U.S. commodities for paying wages in useful public works, in order to promote the direct expansion of demand for food within the importing countries.

SHIFT TO "FOOD FOR WORK" NEEDED

A still untried "Food for Work" amendments to the Food for Peace law which was adopted by Congress several years ago provides a striking opportunity to make use of our agricultural abundance in this way at far less cost to U.S. taxpayers than the policies that have been followed during the past ten years.

The "Food for Work" amendment provides that local currencies generated from concessional sales of farm commodities may be sold at a discount to investors on the condition that they be used to pay wages in labor-intensive works of public improvement—such as construction of highways, bridges, sewer and water systems, schoolhouses, and the like.

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Any "concessional sale" of food in a developing country would be linked directl to increased consumption, so that it would not displace commercial sales by th domestic farmers, thereby depressing their prices.

This linkage would be insured under the Food for Work plan more directly an more dependably by far than in the case of regular Title I transactions. It woul be accomplished by linking the creation of added demand directly to the provisio of added supply, all in the same agreement. It would be accomplished this wa

Food for Work agreements should provide that local currency proceeds fro the sales of farm commodities may be sold by the United States Government at discount, on condition that the buyer must use these currencies for employin labor in public works activities. Thus, by creating additional employment tha otherwise would not exist, a new market would be generated directly for the addi tional food that otherwise would not be imported.

These transactions would have a neutral effect upon world markets, and upo the importing country's currency, because they would raise supply and deman together.

But they would have obvious advantages to the United States. Net budget e penditures for farm program costs could be reduced if the currencies could be sol for anything more than the difference in cost between paying farmers for not pr ducing as compared to buying and shipping the goods. And the U.S. balance c payments situation might be improved by bringing some dollars home fro abroad.

HOW PROGRAM WOULD WORK

Let me illustrate both the mechanics and the economic possibilities of this pr gram by describing how a specific agreement might be designed and administered

Calcutta is the largest city in India—one of the ten largest in the world. Th vast majority of Calcutta's millions of people have neither sewer service nor saf water supplies. Several hundred thousands of laborers could be employed i Calcutta for many years to dig sewer and water ditches, to make clay tiles, and t lay water and sewer lines. The entire operation could be conducted on an extremel labor-intensive basis, requiring little or no imported goods or materials, by layin hand-made pipes in hand-dug ditches. Wages are very low—twenty-five or thirt cents a day for common labor. And there are hundreds of thousands of adults i Calcutta who are unemployed altogether, or who never earn even the low prevail ing wages for many days at a time.

Common laborers in Calcutta spend almost everything they can earn to bu food for themselves and their families. This means that in Calcutta, grain could b converted almost directly into sewer and water facilities. Here is how this might b done:

The United States, under terms of an agreement with the Government of Indi would sell wheat, let us say, for delivery in Calcutta, accepting Rupees in paymen

The wheat would be sold by the Government of India into regular commerci market channels, thus obtaining the means to pay for the grain. The procedure s far would be identical to the familiar Title I soft currency transactions.

The Rupees received by the United States Government, instead of being froze in a U.S. account, would be offered for sale for dollars, at a discount below th regular exchange rate, but at the best price obtainable, on the condition that the be spent only for specified purposes which would result in the employment o additional labor. Let us say, for example, that this agreement might specify tha the Rupees could be drawn and spent only for the purchase of Calcutta Municip Sewer and Water bonds, with the advance arrangement that the bonds would b used to finance a qualified labor-intensive construction project.

The investor would buy the bonds, paying the Rupees he had obtained at a dis count, and the Calcutta Municipal Government in turn would pay them out i wages to laborers working on the sewer and water projects.

The workers, when they got their pay, would go to the food shops and spen most of their earnings for grain—perhaps but not necessarily the very grain tha was imported to finance the project in the first place. This would complete th cycle—the added demand generated by the works project would absorb the adde supply of imported food.

It is true, of course, that even at such extremely low wage rates as those pre vailing in Calcutta, workers would not spend everything they earn for food However, whatever non-food expenditures there might be would be devoted t other goods and services which are also labor-intensive—thereby generating addi tional demand for food that otherwise would not exist.

The actual increase in demand for food that could be expected to result from given expenditure in wages could be calculated fairly accurately for various loca

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tions and situations, and the provisions of Food for Work Agreements could be adjusted accordingly. Perhaps in economies where wage rates are higher, and where a larger fraction of workers' earnings is likely to be spent for non-food items, the importing country officials would need to supplement Food for Work investments with some expenditures from tax funds in order to avoid inflationary effects.

Investors might be Americans, or foreigners having investable dollar-funds. Possibly oil exporting countries might be persuaded to invest some of their surplus funds under tri-lateral arrangements. Such investments by foreigners would improve the U.S. balance of payments situation. Whatever the source, it would represent some immediate dollar return to the U.S. Government. Only a few cents on the dollar would need to be realized from the discounted sale of soft currencies to enable the U.S. Government to come out ahead, as compared to the actual cost of the old Title I operations, or of programs during the past decade to pay farmers for "setting aside" surplus cropland.

The U.S. should seek to persuade both grain exporting and importing developed countries to contribute commodities or money for similar projects. The major grain exporting and importing countries have all expressed some degree of readiness to share in the costs of food aid and development projects conducted under the terms of an international commodity agreement, and have bi-lateral programs of their own.

HUGE POTENTIAL DEMAND FOR FOOD

If human need could be transformed into market demand by the creation of jobs, the potential volume of trade that could result is truly staggering.

The supply of grain available per person in Europe is 200 to 300 percent greater than it is in many countries of Asia, Africa, and South America. In the United States and Canada, it is nearly 500 percent greater. By any standard of nutritional adequacy, the consumption of grains in these poor countries needs to be doubled at the very least. This would create a potential outlet for unlimited grain production in America and every other grain producing country—and for the farmers in the poor countries as well.

Another indicator of the potential for expanding demand for grains is levels of employment. In the poor countries "unemployment" is an almost meaningless term, because everyone does something, even if nothing more than rummaging around for garbage scraps. The United Nations Economic Commission for Latin America concluded that forty percent of the total Latin American population is engaged in subsistence activities with extremely low levels of productivity that cannot qualify as "employment" in a modern sense. Even larger portions of the total population in many of the countries of Southeast Asia exist under similar conditions, producing virtually nothing of value and receiving for their efforts less than enough to sustain healthy human life, much less decency. In all, there are hundreds of millions of adults existing in friendly countries of the world who now contribute virtually nothing of value to the world economy, and who desperately need jobs, even at the lowest scales of pay.

These hungry hundreds of millions and their dependents constitute a climactic market opportunity for American food and agriculture and related industries.

The Food for Work approach provides a means whereby the United States can transform our potential agricultural abundance into a cost-free yet tremendous asset for economic development. In the process, it can build bridges to the enormous markets for American food that our efficient agriculture and agribusiness deserve to enjoy in a prospering world. A first bridge can be built upon Food for Work transactions themselves.

The ultimate bridge to this gigantic potential food market can and must be raised on these two pillars:

First, our food abundance can be used immediately to finance the public works construction and other labor-intensive activities to provide the needed roads, schoolhouses, water systems, sanitation works, and the like. These are the first essentials for initiating and supporting economic advancement in the poor countries.

Secondly, if the advanced countries, and particularly the United States, will adjust their international trade policies to conform more constructively to the rational principle of comparative advantage, then the ultimate foundation for world economic strength will be at hand. Then the hungry billions of the world can turn increasingly toward the exchange of labor-intensive manufactured goods for some of their food requirements, as well as for the other capital- and skills-intensive products which America can produce at such great advantage.

This is the pattern of world economics that offers the promise of continuously-rising American wage scales and levels of living. This is the pattern of world

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economics that can employ the idealism and the creative energy of the America generation that will take custody of our country to the end of this Century.

It is hard to see how any pattern less bold can yield anything short of huma calamity on such a scale as no man has imagined.

[The following material was referred to on p. 886.]

NIXON FOOD POLICY SHIFT CREATED SHORTAGE, FAMINE THREATS, FARMERS UNION ECONOMISTS REPORT

Policy changes introduced by the Nixon Administration are directly responsibl for the present world food shortage and threatened famines, a study released toda by the Farmers Union reveals.

Little more than one-fifth as much U.S. food is now being shipped overseas fc hunger relief as ten years ago.

While "Food for Peace" shipments were being drastically curtailed over th five past years, payments to U.S. farmers for holding cropland out of productio were increased sharply, setting an all-time record of $3,566 million in 1972. In tha year one acre was held out of production in the United States for every 4¼ acre that were harvested.

COSTS TAXPAYERS MORE

This shift in food policy has greatly increased costs to U.S. taxpayers. During th Nixon Administration's first five years, nearly $4 billion more was paid to farme to prevent food production than it would have cost for the government to buy th same amount of food from farmers.

Last year alone, the government paid $1,163 million more to hold land out c production than the value of the lost production on the farm at market price: The record was $1,181 million in 1971.

An enormous volume of potential food production was sacrificed during thes five years which could have been used for providing adequate reserves and greatly expanded food aid shipments. Assuming yields of only two-thirds of the actu national average for the grain best-suited to the various lands held out of produc tion, the five-year total would have reached the equivalent of 8,609 million bushe of wheat. This is nearly a billion bushels more than the actual total harvests c 7,669 million bushels of wheat in the U.S. during those five years.

ENOUGH FOR ALL NEEDS

The potential food that was sacrificed would have been more than ample t meet all the needs that have arisen in the present world food crisis, with ampl reserves left over. In several years the prevented production approached the tot volume of all food grains bought and sold by all countries in international trad

If the food sacrificed during the past five years had been produced instea much of it could have been bought and shipped abroad for food aid under th "Food for Peace" program at less cost to the U.S. government than was paid fc not producing it, the Farmers Union study reveals. This excess cost reached $75 million in 1971 alone. Costs of the Nixon program ranged from a low of 60 percer to a high of 136 percent of what it would have cost to provide equivalent quantiti of farm commodities for "Food for Peace" shipments if they had been produce

FARMERS UNION OPPOSES POLICY

The Farmers Union has objected repeatedly to "the erosion of the Food fc Peace program" during recent years, as well as to other aspects of the Nixon far and food policies.

The Farmers Union recommends that farm prices should be stabilized at 10 percent of parity. When "surpluses" occur, they should be insulated from th market in non-recourse price support loan status until prices rise to 110 percent c parity. This would provide an "ever-normal granary" of reserves to prote consumers and export customers. Farm production would be curtailed under th Farmers Union plan only when reserves have reached reasonable levels.

In hearings on renewal of the Food for Peace Act on April 3, 1973, Robert C Lewis, National Secretary, urged that shipments "be increased, insofar as suppli are available, to a scale approximating the full levels of expenditure authorize

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by Congress". The Nixon Administration held the value of Food for Peace shipments down to only one-third to one-half of the amounts authorized by Congress.

URGES USE OF FOOD FOR DEVELOPMENT

Lewis urged long-term food aid agreements with hungry countries designed to lead to "an enduring pattern of commercial two-way trade wherein U.S. farm commodities can be exchanged for goods and services from the food-importing countries".

He also suggested that food from the U.S. be sold for local currencies in the hunger areas, with the proceeds used "for paying wages in useful public works projects, in order to promote the expansion of demand for food within the receiving countries".

"FOOD FOR PEACE" DWINDLES

The Farmers Union study shows that the Nixon Administration immediately slashed the volume of Food for Peace shipments by one-fourth in its first year (1969). The volume dwindled to an estimated 2.8 mil. tons in 1975, the smallest since the program was initiated by the Eisenhower Administration 20 years ago.

The Nixon Administration also boosted cuts in annual food production. The peak of 65.9 million tons in grain equivalent of prevented production came with the peak spending in 1972. After the world food crisis developed beginning in that year, annual reductions tapered off.

The shift in food policy was made by the Nixon Administration pursuant to discretionary authority in the basic agricultural and food aid legislation. These laws were amended in 1970 and again in 1973, but the changes did not basically alter the discretion of the Executive Branch in determining the sizes of the food aid and crop reduction programs, and Secretary of Agriculture Earl Butz and other Administration officials lauded both new Acts as moving in "the right direction".

DECLINE STARTED UNDER JOHNSON

The decline in food aid shipments, accompanied by increasing payments for cutting U.S. food production, began under the Johnson Administration in 1965. The Farmers Union study revealed the little-known fact that total U.S. food aid shipments during the famine emergency in India in 1966 and 1967 were far smaller than in the pre-famine peak year of 1964. Indeed, shipments during each of the two famine years were smaller than in any previous year of the Kennedy-Johnson Administration or the last year of the Eisenhower Administration.

The study revealed that it was the Eisenhower Administration which has most strongly favored Food for Peace over paying to prevent food production.

During the five Eisenhower years when both types of programs were in effect (1955–60), the value of Food for Peace shipments averaged three times higher than the payments for preventing production.

During the eight Kennedy-Johnson years, the value of Food for Peace shipments each year averaged only two-thirds as high as payments to prevent production.

In the five years of the Nixon Administration, the original ratio was more than reversed. Payments to prevent production had skyrocketed to more than three times the value of average annual Food for Peace shipments.

"FOOD FOR WAR" INCREASED

But even this does not fully measure the actual cut that has been made in shipments of food for humanitarian and economic development purposes. By the last year of the Nixon Administration (1973), nearly one-third (31%) of the total value of Food for Peace program shipments went to support war efforts in Viet-Nam and Cambodia. The Senate Nutrition Committee reported that over half of the total went to these two and other military-related recipients such as Israel and Jordan.

The Farmers Union's estimates of the grain production that was prevented under government programs are based on acreages for which diversion payments were made each year times two-thirds of the actual national average yields during the year for the grain corp best suited to the various types of land in the various programs. These estimates may over-state the volume of prevented production, and commensurately under-state the comparative cost of having instead bought and shipped for food aid the amount of grain that would have been produced.

Actual production on land released from these government programs in 1973 and 1974 has been less than the two-thirds of national average yields assumed in the estimates.

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SPENDING, PRODUCTION CUTS PEAKED IN 1972

The record of $3,566 million in payments for not producing food matche(·ecord estimate of prevented production of 65.9 million tons in 1972. Si aneously during that year, the Nixon Administration undertook strenuous ne; :ions with the Soviet Union and China to expand grain sales to those coun

The Farmers Union study is based on official U.S. Department of Agricu lata. For simplicity, prevented production on land diverted from cotton is nated in terms of "grain equivalent" based on national average yields of ('or which most cotton land is suitable. Prevented production on land div('rom miscellaneous crops and hay is based on national average yields of oa

The Farmers Union's study was directed by Robert G. Lewis, who is ›rganization's chief economist as well as National Secretary.

(A series of tables detailing the findings and estimates of the study is attacl

TABLE I.—OPERATING RESULTS OF GOVERNMENT-FINANCED FARM COMMODITY EXPORTS AND ACI DIVERSION PROGRAMS, 1955-74

Year	Acres idled by farmers as basis for government payments (millions)	Estimated production of grain from idled acres if grown and harvested (million metric tons)[1]	Market value at farm if crop of grain had been harvested from idled acres (millions)[2]	Payments to farmers agreeing to not produce crops on idled acres (millions)[3]	Value of U.S. farm commodity exports under government-financed programs, calendar years (millions)[4]	Quantity farm comı exports Public L pro calendaı (metric
955					$1,118	
956	13.6	8.0	$405	$261	1,711	
957	27.8	15.0	654	654	1,536	
958	27.1	19.6	864	810	1,233	
959	22.4	11.3	464	324	1,207	
960	28.7	15.9	625	367	1,461	
961	53.7	41.4	1,762	1,104	1,483	
962	64.7	48.5	2,101	1,440	1,480	
963	55.7	42.5	1,825	1,382	1,520	
964	54.9	42.0	1,901	1,951	1,644	
965	55.9	52.0	2,230	2,115	1,349	
966	62.5	56.6	2,785	2,946	1,353	
967	40.2	42.8	1,774	2,738	1,263	
968	48.9	54.8	2,232	3,090	1,189	
969	57.6	60.5	2,736	3,417	1,020	
970	57.1	53.0	2,774	3,352	1,021	
971	37.4	39.6	1,654	2,835	982	
972	62.1	65.9	3,346	3,566	1,107	
973	19.5	15.3	1,218	2,381	750	
974	0	0	0	0	750	

[1] Computed at ⅔ of U.S. average yields per acre during year of each crop to which reductions in acreage harvest ttributed. An equivalent based on average yields of corn during year is shown for acreage diverted from cotton; a quivalent based on average yields of oats during year is shown for other cropland diverted primarily from tame ha ome soybeans, flaxseed, dry edible beans, rice, and tobacco.

[2] Estimated production (from 3d column) times U.S. average price per ton received by farmers for corn at the farn ıg the year. Prices of the various grains, including the price of wheat less certificates, usually average close to the er ton of corn.

[3] All payments to farmers conditioned on their agreement to withhold designated farmland from production (ıe calendar year (corresponds generally to crop year). Wheat certificate payments are include 1.

[4] Calendar years 1955–73 from annual report on Public Law 480, September 1974. Calendar year 1974 preliminary AS USDA.

[5] Calendar years 1955–73 from USDA's annual statistical report on Public Law 480 shipments, SDS-1-74, March nd earlier reports. Data for Public Law 480 only, excluding relatively small quantities shipped under other Govern nanced programs.

[6] Projections, based on data from FAS-USDA on actual shipments during 9 mo. for title I and 6 mo. for title II of aw 480.

Sources: U.S. Department of Agriculture data except as noted.

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TABLE II.—COSTS TO U.S. GOVERNMENT TO AVOID OR DISPOSE OF FARM SURPLUSES BY DIVERTING LAND FROM PRODUCTION COMPARED TO EXPORTING WHEAT OR FEED GRAINS UNDER PUBLIC LAW 480 (FOOD FOR PEACE), 1962-73

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
1. Total payments to farmers on condition of diverting cropland from production (millions) [1]	$1,440	$1,382	$1,951	$2,115	$2,946	$2,738	$3,090	$3,417	$3,352	$2,835	$3,566	$2,381
2. Production on all diverted acres, assuming ⅔ national average yields of grain crop diverted or of most productive grain alternative (million metric tons)	47.9	42.5	42.9	51.4	56.8	42.8	54.8	60.5	53.0	39.6	69.1	18.9
3. Cost of payments per metric ton of assumed diverted production of grains (cost per metric ton) [2]	$30.06	$32.52	$45.48	$41.15	$51.87	$64.00	$56.39	$56.48	$63.25	$71.59	$51.60	$125.97
4. Cost per metric ton to U.S. Government to export feed grains under title I, Public Law 480, at ratio of 2 corn to 1 sorghum (cost per metric ton) [3]	$49.51	$50.70	$52.68	$54.20	$54.09	$48.82	$48.24	$50.60	$57.69	$52.75	$84.25	$99.60
5. Cost per metric ton to U.S. Government to export wheat under title I, Public Law 480 (cost per metric ton) [4]	$83.38	$88.89	$86.69	$73.84	$76.66	$63.95	$56.23	$56.60	$62.84	$64.31	$85.98	$178.20
6. Cost of payments for diversion as percent of cost to export feed grains [5]	61	64	86	76	96	131	117	112	106	136	61	126
7. Cost of payments for diversion as percent of cost to export wheat [6]	36	37	52	56	68	100	100	100	101	111	60	70

[1] Includes wheat certificates.
[2] Line 1 divided by line 2.
[3] FOB Gulf ports for No. 3 Yellow Corn and No. 2 Yellow Milo, per FAS-USDA. Price data for 1971 through 1973 are for fiscal years 1972 through 1974. Data for fiscal 1974 are preliminary. Cost to U.S. of food-for-peace shipments under title II (donations) includes most ocean transportation costs to destination ports.
[4] Net cost to buyer f.o.b. gulf ports, No. 2 HW (ord) wheat plus export payment and less cost of wheat certificate: Wheat Situation, ERS-USDA, various issues (see footnote 3).
[5] Line 3 divided by line 4.
[6] Line 3 divided by line 5.
Sources: U.S. Department of Agriculture data.

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TABLE III.—VALUE OF U.S. AGRICULTURAL EXPORTS UNDER GOVERNMENT-FINANCED PROGRAMS TO VI
AND CAMBODIA, AND TO ALL COUNTRIES, FISCAL YEARS 1955–73

[In millions of dollars]

Fiscal year	Cambodia	Vietnam	Total for two countries	Total for all countries	shipm V Ca
1955	(1)	[1] $1	$2	$1,118	
1956	(1)	[1] 18	19	1,711	
1957	(1)	[1] 32	33	1,536	
1958	(1)	[1] 14	16	1,233	
1959	$1.2	24	26	1,207	
1960	1.2	20	26	1,461	
1961	2.9	26	30	1,483	
1962	1.0	34	35	1,480	
1963	0.9	36	37	1,520	
1964	(2)	43	45	1,644	
1965	(2)	49	50	1,349	
1966	(2)	94	95	1,353	
1967	(2)	176	176	1,263	
1968	(2)	148	153	1,189	
1969	(2)	103	105	1,020	
1970	(2)	129	131	1,021	
1971	0.8	126	128	982	
1972	9.5	117	128	1,107	
1973	28.9	171	206	750	

[1] Export data for Vietnam and Cambodia were combined for fiscal years 1955–58.
[2] Under $500,000 and under ½ of 1 percent.

Note: Data rounded to nearest half-million. Totals may not add correctly due to rounding.

Source: Economic Research Service, U.S. Department of Agriculture.

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TABLE IV.—ACREAGE DIVERTED UNDER VARIOUS GOVERNMENT PROGRAMS, 1961 73 BY CROP DIVERTED, AND ESTIMATED AVOIDED PRODUCTION OF DIVERTED CROP

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Corn:													
Yield (pounds per acre)[1]	3,472	3,595	3,786	3,506	4,094	4,038	4,402	4,402	4,698	4,009	4,860	5,426	5,118
Acres diverted (millions)[2]	23.7	24.6	21.0	25.0	26.2	26.5	19.3	28.2	29.3	27.7	15.5	25.5	7.1
Production avoided (million metric tons)[3]	37.7	40.1	36.0	39.8	48.7	48.5	38.6	56.4	62.6	50.5	34.2	62.8	16.5
Grain sorghum:													
Yield (pounds per acre)[1]	2,447	2,470	2,458	2,335	2,890	3,142	2,822	2,962	3,097	2,839	3,018	3,399	3,293
Acres diverted (millions)[2]	10.0	8.8	7.7	9.0	9.2	9.6	6.2	8.8	8.5	8.1	4.7	7.9	2.6
Production avoided (million metric tons)[3]	11.1	9.9	8.6	9.5	12.1	13.1	8.0	11.8	12.0	10.4	6.4	12.2	3.9
Barley:													
Yield (pounds per acre)[1]	1,469	1,685	1,685	1,819	2,088	1,829	1,949	2,093	2,131	2,045	2,189	2,093	1,934
Acres diverted (millions)[2]	1.6	3.9	4.0	4.7	4.5	4.6	0.7	0.6	4.7	4.0	0.1	5.0	1.5
Production avoided (million metric tons)[3]	1.1	3.0	3.1	3.9	4.3	1.7	0.6	0.6	4.6	3.7	0.1	4.7	1.3
Wheat:													
Yield (pounds per acre)[1]	1,440	1,506	1,518	1,578	1,614	1,578	1,554	1,710	1,842	1,860	2,028	1,962	1,812
Acres diverted (millions)[2]	3.2	13.6	9.9	6.9	8.7	10.0	1.5	1.4	11.8	15.9	13.7	20.3	7.7
Production avoided (million metric tons)[3]	2.1	9.2	6.9	4.9	6.3	7.2	1.1	1.1	9.9	13.4	12.6	18.1	6.3
Oats:													
Yield (pounds per acre)[1]	1,350	1,440	1,446	1,379	1,606	1,430	1,578	1,715	1,696				
Acres diverted (millions)[2]	3.9	3.6	3.3	2.4	1.9	1.8	1.6	1.3	0.6				
Production avoided (million metric tons)[3]	2.4	2.4	2.1	1.5	1.4	1.2	1.1	1.0	0.5				
Cotton:													
Acres diverted (millions)[2]	0.7	0.6	0.6	0.4	0.4	5.2	5.5	3.8	0.4	0.3	2.4	2.1	
Production avoided (million metric tons equivalent of grain)[4]	1.1	1.0	1.0	0.6	0.7	9.8	11.0	7.6	0.8	0.6	5.3	4.9	
Other cropland:													
Acres diverted (millions)[2]	10.6	9.7	9.2	6.5	5.0	4.8	5.4	4.8	2.3	1.1	1.0	1.3	0.6
Production avoided (million metric tons equivalent of grain)[5]	6.7	6.3	6.1	4.1	3.6	3.1	3.9	3.7	1.8	0.8	0.8	0.9	0.4
Total acres diverted (millions)	53.7	64.8	55.7	54.9	55.9	62.5	40.2	48.9	57.6	57.1	37.4	62.1	19.9
Production avoided (million metric tons):													
At full national average yields	62.2	71.9	63.8	64.3	77.1	85.2	64.3	82.2	92.2	79.4	59.4	103.6	28.4
At two-thirds national average yields	41.4	47.9	42.5	42.9	51.4	56.8	42.8	54.8	60.5	53.0	39.6	69.1	18.9
Corn price, on farms, per metric ton[6]	$43.48	$41.18	$43.77	$46.18	$43.77	$50.21	$41.37	$42.55	$44.52	$52.40	$41.76	$61.81	$93.70
Value of production avoided (millions):													
At full national average yields	$2,698	$3,176	$2,792	$2,969	$3,375	$4,278	$2,660	$3,498	$4,104	$4,160	$2,480	$6,404	$2,661
At two-thirds national average yields	1,796	2,116	1,860	1,981	2,250	2,852	1,774	2,232	2,736	2,774	1,654	4,269	1,771

[1] U.S. average yield of the specified grain for the year, in pounds per acre, as reported by U.S. Department of Agriculture.

[2] Acres (millions) diverted from production of the specified crop as a condition of Government payments under the feed grain, wheat, cotton, set-aside, and probably acres of each crop diverted under soil bank and cropland adjustment programs.

[3] Production (millions of metric tons) of specified grain that would have occurred if the acreage diverted from the specified grain had been harvested, assuming national average yields.

[4] A production "equivalent" expressed in metric tons of grain is computed for acreage diverted from cotton assuming national average yields per acre of corn. Land used for production of cotton is usable alternatively for production of corn or sorghum, and would be of approximately average productivity for the area if devoted to those grain crops.

[5] A production "equivalent" expressed in metric tons of grain is computed for "other cropland" under the soil bank and CAP programs, diverted primarily from production of tame hay, and also some soybeans, flaxseed, dry edible beans, rice, and tobacco, assuming national average yields per acre of oats.

[6] Average price received by farmers for corn at the farm during year, per metric ton: SRS/USDA.

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The CHAIRMAN. The next witness is Rev. Bryan J. Hehir, associate secretary for International Justice and Peace, U.S. Catholic Conference.

You may insert your full statement in the record and summarize as you desire, sir.

STATEMENT OF REV. J. BRYAN HEHIR, ASSOCIATION SECRETARY, OFFICE OF INTERNATIONAL JUSTICE AND PEACE, U.S. CATHOLIC CONFERENCE

Father HEHIR. I will summarize two points, Senator.

The two points I would like to comment on this afternoon are first, the recognition that food is a unique commodity, similar to other commodities, but not identical to other commodities that are processed through the market system. Second, in order to highlight the uniqueness of food as a unique commodity, the need for a new rationale for the Public Law 480 program, I would argue in the first instance is needed and would be supported by the American public.

First, that food is a unique commodity: what I am trying to focus on here is, what does it mean to be the leading food producer and exporter in a hungry globe that in places is a starving globe? How do we understand that role? I take it as a premise that food is a part of our foreign policy, that because of our balance of exchange problem and because of the alliance programs that food will be part of our foreign policy; and I do not quarrel with that premise.

While accepting the premise then, the question I ask is, whether that exhausts the significance of food in our foreign policy. To say that food is part of our foreign policy, does that give us the full picture of what it means to be the primary producer of food in a hungry globe? To be more specific, I would argue in contrast to the administration's spokesmen that have spoken over the past year to say on the one hand that food is a matter of money and markets, or to say secondly that food is a tool in our foreign policy kit.

These statements are accurate, but I would argue that they are inadequate. They are inadequate because they do not signify the fact that food is a unique commodity.

On the other hand, I would argue the case that it is unique. Why? Because although it is a commodity that is to be traded and is part of our foreign policy kit, it is also a lifeline. We stand, as you know and other witnesses have said, in the position of the Arabs of the globe. We control, along with Canada, more of the world's exportable food supply than the Arabs do of oil. The one difference I would argue: the product for which we stand in that position is one for which people cannot postpone their need. As difficult as it is to be on the vulnerable side of the oil question and as many changes as it requires of us, it is at least possible to make those changes. When the need is for food, that need cannot be postponed.

Therefore, the position it puts us in is a unique position in this policy of interdependence that everybody acknowledges is the new framework for foreign policy today. Dostoievsky 100 years ago talked about what it meant to live in an interdependent world long before it became a reality. He argued that the death of one innocent child was enough to destroy our belief in God. The difference between us

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and Dostoievsky is we know precisely how many innocent children die. We even know how many this year may die of hunger.

Faced with that kind of choice, I would argue that is a rather awesome position to be in. So the argument here is, while food is a part of our foreign policy, it is much more that that, and that much more has to somehow be calculated into the policy process.

What does that mean? I would argue that it means in the first instance that the law of the market, like every human creation, has its limits. If we know consciously that using the market as the sole or overwhelmingly major means of distribution means that we know how many will die, and we know we have a possibility to prevent that, that there is need at times to modify the market. We have done it before in the Public Law 480 program.

My argument this afternoon is that we simply need to do it again with a clear purpose about what we are doing, so I will turn to my second point, the need for a restructured rationale for the Public Law 480 program. I would make two points: first about what that restructured rationale means;

And second, I would argue that it would be supported by the American people. As you gentlemen know better than I, the Public Law 480 program is a program with a multiplicity of purposes. It is viewed as a humanitarian program, and yet as one reads the legislation from the Congress for the first Public Law 480 program in 1954, the reasons given for it include: expansion of international trade, development and expansion of our export markets for food, promoting the goals of our foreign policy, along with alleviating hunger.

My point is, the multiplicity of purposes provides various norms for how we allocate the scarce food we have available, so title II over the past 20 years, the humanitarian dimension of the program, has amounted to about 25 percent of the total program.

Title I, which is also included in the humanitarian definition of Public Law 480, title I over the years 1971–73 indicates South Vietnam gets 18 percent, Korea 17 percent, Indonesia 15 percent. My point is not that these countries are not worthy; It seems under title I at least, you have to be hungry and strategically well-placed to qualify for the program.

My argument is for a clearer definition of the humanitarian purpose of the program. I do not argue here that there is deception involved. I simply argue clarity of guidance in the policy is essential when food is as scarce as it is and when the scope of hunger is as wide as it is. By new rationale, I mean separating very distinctly food for what I will call purposes of justice and charity from food used as part of our foreign policy, which I have already admitted as a foregone conclusion.

I would argue that there was a step taken in this direction in distinguishing these purposes very clearly in the amendment to the Foreign Assistance Act last December, in the 70–30 split. What I am asking for is, that this step needs to be reinforced, and to be articulated more clearly. For example, I would argue that title I should be taken out of the ambiguous situation that now presently exists, in which it is classified generally as humanitarian, but it can be extremely well used for political purposes.

This rather should be used in terms of a designed policy to feed people because they have the right to eat, not because they have the

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right to eat and are strategically well-placed. Second, under title II this should be regarded as a program in charity, a humanitarian relief program, used for emergency situations.

Both Title I and Title II under a restructured rationale need expansion and I would reaffirm the earlier testimony given this afternoon that the levels of these programs need to be expanded, hopefully through the 1972 level at least. This undoubtedly would take priority reviews in terms of budgetary considerations to get that kind of money.

My final point in my testimony is, the food program is facing us with a choice, a national choice. All I am asking is that the choice be put to the people clearly.

Father Hesburgh, when he asked for 4 million additional tons of grain to be released by the President last December, tried to calculate the priority choice. He said, "It will cost two-thirds of one Trident." That is the kind of choice that ought to be put to the people and see how they decide. I do not claim I know how they will decide. I think putting the question is a good public service.

I would say from the experience of the church that from all we know, if the question is put clearly, the question of starving people there or scarce food here—and saying that the food is scarce here—everything we know from our experience over the past years is that the people respond with overwhelming generosity, that the presumption that they will not support a program at a time of scarcity is simply not held up by the evidence.

I just came back from a diocese in the Midwest, Grand Rapids area specifically, with very high unemployment. The Bishop, after a meeting here in November, went home and did a tape on the food program, sent it around to this diocese, did not ask for a nickel, and has averaged $1,000 a week since the first week in December without asking for any money at all.

Our collection was already cited. I have spoken for the last 6 months across the country and tried to do what I think the church ought to do, simply frame the question in terms of a matter of choice—starving people or scarce food. I have never had an audience—randomly selected—that would have not voted for a generous program.

I submit that it can be supported if the rationale is clearly drawn.

The CHAIRMAN. You made one of the most elqouent statements I have heard before a Senate committee in the 18 years I have been here. I notice you had very rudimentary handwritten notes. I congratulate you, sir.

Any questions?

Senator DOLE. I share that view. I appreciate it very much.

The CHAIRMAN. Thank you very much.

[The prepared statement of Father Hehir follows:]

STATEMENT OF REVEREND J. BRYAN HEHIR, ASSOCIATE SECRETARY, OFFICE OF INTERNATIONAL JUSTICE AND PEACE, U.S. CATHOLIC CONFERENCE

For the purposes of these remarks, two points about the "Food for Peace" (PL 480) program will be highlighted: first, the unique characteristic of food; and second, a new rationale for PL 480. The concluding remarks will refer to national priorities and public response.

In the first instance, food is a unique commodity, similar to other commodities, but not identical to other commodities that are processed through the normal

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operations of the market system. The uniqueness of food prompts the question: what does it mean for Americans to be the leading food producer and exporter in a world with millions of hungry men, women and children? How do we understand that role?

For our nation, situated as it is in the center of world affairs, it is a premise that food is an element of our foreign policy, because of the problems in our balance of trade and our alliance commitments, for example, with Western Europe and Japan. However, to accept the premise does not exhaust the significance of food in the exercise of our nation's responsibility in foreign affairs.

To be more specific, certain remarks of Administration spokesmen, such as, food is a matter of money and markets, or food is a tool of our foreign policy kit, point up the insufficiency of the foreign policy premise in our international conduct. These statements are accurate, but they are patently inadequate because they do not sufficiently acknowledge the fact that food is a unique commodity.

While it is true that food is a commodity that is to be traded in the world market, and it is part of our foreign policy kit, it is also a lifeline. The United States stands in a position similar to that of the Arabs in the world. We control along with Canada, more of the world's exportable food supply than the Arabs do of the supply of oil. The outstanding difference, it must be argued, is food is a commodity which satisfies a basic human need and people cannot postpone indefinitely satisfaction of that need. As difficult as it is for us who are on the vulnerable side of the oil question and as many changes as this situation may require of us, we, at least, have the options to make the adaptations in life style to substitute other energy sources and to reduce consumption rates. When the need is for food, satisfaction of that need cannot be substituted for nor postponed.

India's experience earlier this year offers grim evidence of this reality. While the United States was deliberating about the amount of food aid it was willing to allot the poorest nations, India, one of the most severely affected countries could not wait, and the Indian government was forced to go into the commercial market and purchase more than three million tons of grain, thereby using its already scarce financial resources and delaying purchase of other necessary commodities and capital goods.

We find ourselves in a unique position in this era of interdependence that is generally acknowledged as the new framework for international affairs today. Dostoievski, a century ago, talked about what it meant to live in an interdependent world even before the term became a reality. He argued that the death of one innocent child was enough to destroy one's faith in God. The difference between us and Dostoievski is that we know precisely how many innocent children die. We can even calculate with reasonable accuracy how many may die of hunger while we are deliberating here.

Faced with that awesome reality, we are therefore in a sobering position: while food is part of our foreign policy, it is in reality much more than that, and it is that extra quality that must be factored into the policy process.

The principal implication of this reality is that the law of market, like every human creation, has its limits. If we know consciously that using the free market as the sole or overwhelmingly major instrument for the distribution of food means that we know how many people will die, and we have a possibility to prevent their deaths, then we are obliged to modify the market system.

This brings me to my second point, a reexamination of PL 480. This program, extending over a period of twenty years, is an example of our nation's willingness to modify the market system, that is, to provide concessional loans for food purchases and outright gifts of food for humanitarian purposes. What is called for now is for us to restate with a clear purpose a new and restructured rationale for the PL-480 program.

The program has had a multiplicity of purposes. While it is presented frequently for popular consumption as a humanitarian program, in the initial legislation in 1954, Congress cited a number of reasons: expansion of international trade, development and expansion of our export markets for food, promoting the goals of our foreign policy, and finally, alleviating hunger. These purposes provide a variety of norms for how we distribute the food commodities we have allocated to PL 480.

The allocation under Title I of the Act, is designed to provide concessional sales of agricultural commodities to what the administration calls "friendly countries." (1973 Annual Report on PL 480, p. 13) It is significant that over the period 1970–73 more than 50% of the aid went to three countries in Southeast Asia (South Vietnam 18%; Korea 17.8%; Indonesia 15%), while the total alloca-

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tion to all of the countries of Africa and Latin America was only 10%. The point is not that the Asian nations are not in need, rather, the practice suggest that a nation must not only be hungry but also be stategically well-placed to qualify for substantial amounts of food assistance.

Title II of the Act, grant aid for emergency, relief and economic development has constituted less than 25% of PL 480. Here again the patterns of distribution indicate that for a country to receive substantial food aid its human needs must be coupled with its strategic location. During the period 1970–73, six countries in Asia (South Vietnam, Thailand, Laos, Cambodia, Phillippines and South Korea) received essentially the same amount of Title II, in the aggregate about $30 million annually, as the some 30 nations classified by the United Nations as the most desperate in the world.

What is called for at this time is a clearer definition of the humanitarian intention and purposes of PL 480. Clarity of guidance in the policy is essential when food is as scarce as it is and the scope of hunger is so widespread. The new and restructured rationale for PL 480 which is called for means separating very distinctly food used for purposes of justice and charity, and food used as part of our foreign policy.

The amendment to the Foreign Assistance Act last December—the so-called 70–30 split—was a step in the direction of distinguishing these purposes, where the Senate stipulated that at least 70% of Title I of PL 480 must be allotted to the some 30 nations designated by the United Nations as those most severely affected and in need. The distribution of the remaining 30% is left to the discretion of the Administration. The Senate is to be commended for its initiative in this regard and is to be encouraged to reinforce this provision in the future. And furthermore, Congressional efforts in this direction of pursuing justice should be articulated more clearly to the general public. In this way, Title I would be designed to feed people in justice because they have the right to eat, not because they have the right and are strategically well-placed. Title II in such a restructured policy would be clearly regarded as a program dealing in charity in the conventional understanding of this term, that is, a humanitarian relief program used for emergency situations.

The concluding note in this testimony concerns national priorities and public response. In view of the serious global needs for food among many nations, funding for both Title I and Title II, under a restructured rationale needs to be increased up to the program levels of 1972 as a minimum. This undoubtedly will require a close monitoring of national policies and reviewing of budgetary priorities. For example, a recent study by the National Farmers Union suggests that the present shortage was in some measure the result of policy decisions by our government. The study reports that while PL 480 shipments were being drastically curtailed, payments to U.S. farmers increased sharply for holding cropland out of production setting an all time high of $3.5 billion in 1972. It is, alleged that the potential food that was lost because of this policy of the government was more than equivalent to meet the needs of the current crisis.

On the budgetary side of the issue, Father Hesburgh poses the question in the classic terms of "guns or butter". When he asked President Ford to release an additional four million tons of grain last December, he said, "It will cost two-thirds of one Trident submarine."

The food problem poses for us a choice, a national choice. The issue is that the choice must be put to the general public clearly, so they can make the decision. None of us can claim to know how they will decide, but it is essential in the interest of the public good, that the question be posed.

From the experience within the Church, indications are that people respond with overwhelming generosity if the question is put clearly: the question of starving people over there and scarce food here. The presumption that the general public will not support a program in justice and charity at a time of scarcity is simply not confirmed by the evidence.

For example, in a diocese in the midwest severely hit by unemployment, the bishop recently prepared a casette tape describing the world food crisis and circulated it among the parishes. Although he did not call for contributions for overseas aid, the diocese has average $1,000 a week since the first of December.

Over the last six months I have spoken in a number of cities across the country and I have tried to do what I think the situation demands, simply frame the question in terms of a matter of choice—starving people or scarce food. I have never had an audience, randomly selected, that did not indicate they were capable of a generous response to a program desighed to reflect a balance of justice and charity.

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The CHAIRMAN. We will start on the next witness. I do not know how far along we might get.

Mr. Guy Gran, Research Associate, Indochina Resource Center. What is the Indochina Resource Center?

STATEMENT OF GUY GRAN, RESEARCH ASSOCIATE, INDOCHINA RESOURCE CENTER

Mr. GRAN. Sir, it is a public interest research group here in Washington that focuses on foreign policy generally, and Indochina in particular. I am addressing one of our topical offshoots.

The CHAIRMAN. You are not representing Indochina?

Mr. GRAN. Yes and no. We have been working on the Food for Peace program. My interest grows out of its use last year in Indochina.

The CHAIRMAN. You may proceed. I would ask you to be as brief and pointed as you can. My judgment is we are going to have one long bell, and you will see an exodus out of this room at that point.

Mr. GRAN. The Indochina Resource Center was founded in 1971. It is a church-sponsored public interest research group located at 1322 18th Street, NW. Washington, D.C. 20036. It focuses on questions relating to Indochina and the American presence thereon; based on both published sources and private interviews and correspondence, IRC publishes *U.S. and Indochina* regularly and longer studies periodically. I am a Ph. D. candidate at the University of Wisconsin and have testified before Congress many times on questions of economic and military aid to Indochina.

I would like to begin where the preceding witness ended, that is, by focussing on the need to make clear choices. I am going to argue three basic themes. Any meaningful overhaul of the Public Law 480 program or any other element of our food policy must be part of a coherent integrated strategy for world food development.

Second, the goals and priorities of such a strategy must be clearly articulated because the interests of those involved—American producers, consumers, multinational agribusiness, third world governments, and their poor majorities—are very often contradictory. Basic political choices must be made and defended.

Third, new solutions—less technological than political and economic—are possible, but they will not be found by people intellectually or ideologically wedded to the status quo. I am not going to try this afternoon to suggest concrete answers; instead I shall try to analyze congressional learning and congressional decisionmaking and suggest some of the ways that I think Congress might begin to approach world food development.

I have been involved in this process for a couple of years, and have recognized, as I think many others have, a number of flaws in it; these are listed in the written statement.

I do not think people here are unaware of these flaws. The question is really how to get around them.

To start with, you have to ask better questions. To ask better questions, you have to have some notion of where you are going. In other words, concrete goals. The basic choices for world food development boil down to these: long-term interests versus short-term; developed world versus less developed, or third world; domestic food

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producers versus American consumers here and versus consumers abroad; the international food and fertilizer business versus consumers here and versus original producers of that food and fertilizer; and fifth, the developing world, political and economic elite, that is, the governments of the tropical countries versus the interests of their poor local majorities, the people that we are ostensibly trying to help.

These conflicts are not going to appear very often in the form that is simply either-or. It is evident however that the interests of multinational agribusiness, for example, are quite contrary to those of hungry people in tropical societies who are irrelevant to them as a labor source or too poor to be a market. Some choice, in other words, about whatever development of a world food program we have are going to run contrary to one or the other.

It is relatively easy to go on the way we have been going if we never make it specific in the public forum those kinds of choices. But a better world food policy is going to take more than a policy statement. It is going to take appropriately creative people. These human resources, it seems to me, must be different from the kind of human resources that we have been using in the past.

In the last two decades, Congress has been willing to invest a lot of money in the executive•branch bureaucracies to come up with new solutions. That experience suggests that the necessary creativity is most unlikely to come from bureaucracies like AID or the multilateral development lobby. It seems to me it would be far easier, far more productive, and far less expensive to create one or more small subcommittee staffs, small enough to avoid the bureaucration and free enough to do something significant.

As it is now, with some notable exceptions, Congress does not yet supply itself with even enough analytic capability to examine critically the sum total of proposals that other people bring to it. In the written statement I go into how and why training in interdisciplinary and comparative approaches is more appropos than traditional legal or economic education.

Beyond concrete goals and relevant human resources, what would an integrated intellectual strategy involve on world food development? How would you address simultaneously international organizations and needs, national organizations and needs, and local organizations and needs? I then pursue some examples of the necessity for such an integrated strategy.

In conclusion, it seems to me with programs like Public Law 480, we are struggling to treat a few of the symptoms of world hunger. We are not dealing with the causes. Every decision that we make about the allocation of food and fertilizer resources sentences several thousands of people to death—The people who lose in these decisions; the January 5, New York Times article on triage makes that very explicit.

Congress must get past the rhetoric about short-term food aid, population control, technological innovation, and the green revolution. Such arguments are largely designed to convince one that only partial remedies exist in the world where the present distribution of political and economic power is inevitable It is not.

And the world food problem is not irresolvable. A few countries with diverse economic and political systems—France, Bulgaria,

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iiwan, for three—have made significant increases in agricultural oduction in the last two decades. It is not impossible to shed our eological blinders, to exercise the capitalist and socialist mythologies om the debate, and proceed on a pragmatic basis to find out what orked there and what will work elsewhere.

The CHAIRMAN. I am going to have to stop you at this point. enator Dole and I must prove to our constituents that we are repre- nting them in the U.S. Senate at this point. You may file your atement in full in the record.

[The prepared statement of Mr. Gran follows:]

TATEMENT OF GUY GRAN, RESEARCH ASSOCIATE, INDOCHINA RESOURCE CENTER

WORLD FOOD DEVELOPMENT: THOUGHTS ON A CONGRESSIONAL APPROACH

In recent months a small but determined group of Congressmen have sought end or at least limit the use of Food For Peace for political purposes. It was not n unworthy idea; in FY 74 70 percent of Title I commodities ($398.4 million of e $567.6 million total) went to just Cambodia and South Vietnam. To redirect e FY 75 program a provision was added to the recent foreign aid authorization w to limit the allocation of Title I food aid to countries that the UN Emergency peration designates as most severely affected (NSA) by the world economic isis; not more than 30 percent of Title I is to go to non-MSA countries.

The Administration does not accept gracefully any infringement on the sov- eignty it presumes. It entered the legislative battle in December first to get the ollar limit on political food aid raised from $250 million to $350 million and then get the dollar figure removed in lieu of the 30 percent now in effect. Since ecember it has fought in every conceivable fashion behind the scenes to raise e allocation for political uses; the recent decision to raise the total program vel is the visible result of one episode. At the moment Title I food aid will be ,019 million in FY 75 with $364 million for political uses. Indochina is projected receive $149.5 million, but the Administration is fighting for a further $115 $142 million.

So what has Congress accomplished? Several hundred million dollars of com- odity food aid that might have gone to Indochina, Chile, Egypt and South orea, or might not have been allocated at all, may now go to the governments of rtain African and Asian countries where there is significant hunger. Whether e food actually reaches those who really need it is doubtful; Title I aid is put on e market, and those in real need are too poor to pay market prices. Thus, with enormous allocation of time by an interested few, a dent was made in a small rt of the immediate world food problem.

I submit that this problem-solving process is fundamentally insufficient for the ids and magnitudes of decision-making necessary. If Congress wants to begin resolve the world food question, or even a small part of it like the PL 480 pro- am, more than minor adjustments are in order.

I will argue three basic themes:

(1) Any meaningful overhaul of the PL 480 program or any other element of our food policy must be part of a coherent integrated strategy for world food development.

(2) The goals and priorities of such a strategy must be clearly articulated because the interests of those involved—American producers, consumers, multinational agribusiness, third world governments, and their poor majorities-are very often contradictory. Basic political choices must be made and defended.

(3) New solutions—less technological than political and economic—are possible but they won't be found by people intellectually or ideologically wedded to the status quo—a status quo that promises that 40 per cent or more of the world's people will become superfluous—with the kind of human results seen today in the Streets of Calcutta or the hills of Appalachia.

I'm not going to provide these new solutions this afternoon; instead I shall try sketch the kinds of frameworks necessary in order to look for answers.

Such a search begins with recognizing the flaws in the current process. Among em:

(1) Congress has finite personnel end time. It takes far too much time and energy for even minimal change.

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(2) Efforts are diffused among several committees with overlapping jurisdictions. All too often personalities, as well as ideology and partisanship, inhibit progress.

(3) The usual approach is piecemeal—tinkering with small parts of the whole that are most visibly defective.

(4) Goals and criteria are not clearly articulated. Basic conflicts of interest are thus glossed over.

(5) Knowledge of the whole process of modernization in tropical societies is so limited that many policies affecting food development are counterproductive out of ignorance.

(6) The institutionalized biases of the principal information sources skillfully misdirect the Congressional learning process and resulting choices end up being not in the public interest.

(7) As with most institutions in our society, Congress has a clear bias for technological solutions to problems that are predominantly political, economic, and human in nature.

I doubt anyone here is really unaware of these flaws. The problem is to get around them. One begins, I think, by asking better questions. World food development is an enormously complex subject. Any serious solution has to integrate the entire span of issues. It doesn't do any good to develop and introduce a new strain of rice in India if conditions in the world fertilizer market are such as to make essential fertilizer unavailable. But to answer better questions one first has to decide upon concrete goals. That involves making basic political choices and assigning priorities. Congress ought to make at least these choices explicitly:

(1) Long-term world majority best interest versus short-term.

(2) Developing world versus developed.

(3) Domestic American food producers versus consumers here and consumers abroad.

(4) International food and fertilizer businesses versus consumers versus original producers.

(5) Developing world political and economic elite versus interests of the poor local majority.

Obviously these conflicts will not often appear in such a form that the choice is either-or. But certain interests of multinational agribusiness, for example, are quite contrary to hungry people in tropical societies who are irrelevant as a labor source and too poor to be a market. Some choices about a world food development program are going to run contrary to one or the other. Since such companies are often American, the predominant choices during a generation of foreign aid programs have assisted the multinationals. Indeed several decades of choices about food development as a whole have served the rich against the hungry both here and abroad. It's relatively easy to continue that if you never make explicit in the public forum the kinds of choices just suggested.

It takes far more than a policy statement that aid should help those most in need. Our $9 billion a year bilateral and multilateral aid program has always ostensibly sought to help those in need in the developing world. But for a generation or more the income gap between rich and poor in these regions has continued to grow. Such a result is neither necessary nor equitable. It will not produce a livable world nor one remotely related to our constitutional or ethical ideals. We can do far better.

Presuming that an appropriate group in Congress is able to fashion a credible vision of world food development for the nonwestern world with concrete goals and priorities, the next problem is to apply the most effective human resources. Congress has been perennially willing to invest large sums in Executive branch bureaucracies to come up with new solutions. That experience suggests that the necessary creativity is most unlikely to come from entrenched bureaucracies like AID or the multilateral development lobby. It would be far easier, far more productive, and far less expensive to create one or more 4 to 7 person subcommittee staffs, small enough to avoid bureaucratization and free enough to do something significant. As it is now, with some notable exceptions, Congress does not yet supply itself with even enough analytic capability to examine critically the proposals others bring to it.

The kind of human resources applied will be crucial. Congressional participants closely tied to interest groups like the multinationals or trapped by traditional educations in law or economics will be most unlikely to do anything other than perpetuate the status quo. Needed are not typical congressional appointees but people with training in interdisciplinary and comparative approaches to create

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pragmatic new frameworks, reach outside conventional channels and across cultures to tap ideas from academia, public officials, and other observers around the world. There is, for example, an enormous wealth of data in hundreds of World Bank country studies resting largely untouched by American policy-makers. Both IBRD and AID can be part of the solution as well as part of the problem.

After goals are established and the appropriate human and financial resources brought to bear, there remains the need for an integrated intellectual strategy. Congressional decision-making affects food development in Third World (and other) countries at three broad interrelated levels. Policies and programs, like AID projects overseas or price supports at home, affect the various factors of production in a predominantly local-rural way. A second series of choices is aimed at national governments, Congress affects the national food development of this and nearly every other country by both action and inaction that create incentives for various host country policies. A third series of choices involves U.S. government policies toward the UN, the international monetary organizations, and the multinationals. By tax, trade, and tariff laws, for example, the Congress now allows multinationals to profit by exporting U.S. farm products, which insures higher prices for US consumers. How healthy is it for any country to remain dependent on food imports or exports?

An integrated strategy has to deal with all three levels simultaneously. The subject merits a book; here a few samples must suffice. In a new Harvard Press title on the Green Revolution, Keith Griffin demonstrates that new seeds and many other innovations, inserted into an existing rural political economy, are likely to be landlord biased and widen the gap between rich and poor. Without both substantive land reform and equal access to all factors of production and distribution, there cannot be significant improvement in food production.

A recent *Scientific American* article suggested that potential arable land could feed many times the current world population: "The limits are not natural resources but economic, institutional, and socio-political restraints." It takes no great wisdom to conclude from Richard Barnet's new opus *Global Reach* or from the studies published thus far by Sen. Church's subcommittee, that without some countervailing power, multinational corporations and banks will redirect the best devised programs of agricultural development for their own profits.

In sum, with programs like PL 480, we are still struggling to treat a few of the symptoms of world hunger but remain oblivious of or despair dealing with the causes. Every decision we make about the allocation of food and fertilizer resources sentences thousands of people to death; a January 5 New York Times article on triage made that explicit. Congress must get past the rhetoric about short-term aid, population control, technological innovation, and the Green Revolution. Such arguments are largely designed to convince one that only partial remedies exist in a world where the present distribution of political and economic power is inevitable. It is not.

And the world food problem is not irresolvable. A few countries with diverse economic and political systems—France, Bulgaria, Taiwan—have managed significant increases in agricultural production in the last two decades. It's not impossible to shed ideological blinders, exorcise the capitalist and socialist mythologies from the debate, and proceed on a pragmatic basis to find out what worked there and what will work elsewhere. But it will take political will, a clear explication of goals and priorities, an appropriate allocation of human and financial resources, and an integrated overall strategy.

The CHAIRMAN. Are there any other witnesses that desire to file their statements? It will appear in the record as though read.

We will continue the hearings as soon as possible.

[A recess was taken.]

The CHAIRMAN. The committee will be in order, please.

The committee is pleased to have the Hon. Jim Buck Ross, Commissioner of the Mississippi Department of Agriculture, an old friend. I am sorry about the delay. We are happy to see you.

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STATEMENT OF HON. JIM BUCK ROSS, COMMISSIONER, MISSISSIPPI DEPARTMENT OF AGRICULTURE AND COMMERCE, PELAHATCHIE, MISS.

Mr. Ross. I have never in my experience seen the uncertainty in agriculture that we have now, and the trouble is inflation.

I run 1,100 acres. Here is the way I see this. I would like to sell my calves for 40 cents a pound and pay $90 for ammonia nitrate, $2,100 for a pickup truck and get a day's work for a day's pay than to sell them for 80 cents and have a housewife buy that. This is where these farmers are as worried as they can be about this $52 billion deficit. I see $70 billion. What we are afraid of is that we would hear 2 years from now that the monetary fabric of this country would be destroyed.

Now this problem already is beginning to correct itself. Nonfood items are coming down somewhat, and a drum is beating now in agriculture to cut production 20 percent across the board.

If the prime rate keeps coming down we are going to see a buildup in housing. We are going to see a buildup in borrowing and we are going to see some of these things beginning to work out.

One of the most unappreciated facets of the American system is our ability to merchandise, our ability to sell. I look at any time some fellow to start selling houses, and for a dollar more give you a bonus of a new automobile.

The Chairman. You are getting out of the area of our jurisdiction. I agree with everything you say.

Mr. Ross. One other thing—the point I want to make with you gentlemen is please do not overreact. The Congress of the United States should not overreact and do something to add fuel to the fire and ruin the situation.

The Chairman. What do you think this committee ought to do. Of course, as you know, we are holding 2 weeks of hearings on every aspect of farm legislation. We have had farmers from all over the United States come in here, relating to all basic commodities and cite the cost of production. We have had witnesses from experiment stations, and farmers from your State. And they say they cannot produce cotton at 38 percent. They want us to raise the loan level and also the target price.

Mr. Ross. Those are the instructions I have. Those were the instructions that were given me before I left Mississippi, that the loan price should be 40 cents.

The Chairman. There is some apprehension about that. Do you remember back in 1965 I took leave from this committee, and I had to override my own chairman to get one price for cotton. At that time we had surplus of 17 million bales, and we got one price for cotton, and we got the overhang off the market and cotton started going up. And we started to make export sales.

Meanwhile we had held the umbrella over the rest of the world for 30 years and they had expanded their production worldwide while we had decreased it here.

Some of the cotton merchants, not the farmers, are gravely apprehensive that if we get the loan level up above the world market price we will put off our export in commerce and hurt cotton and get it back substantially to the shape it was in 1965. Do you share that view?

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Mr. Ross. Yes. But another view I share is this, sir. Let us try every way we can to bring down the price of the cost of producing cotton and maintain a free enterprise system.

The Chairman. I would agree with that, but I do not know any way you and I can make these OPEC nations bring down the price of their fuel.

Mr. Ross. Can I ask you this?

What is inflation, sir?

The Chairman. Inflation today, in the classic tradition of too much money for too few goods.

Mr. Ross. Too much credit.

The Chairman. Credit and money are the same thing.

Mr. Ross. Let us take credit out of the petroleum industry. In World War II we did. Every time a person goes up to get 5 gallons of gas let him pay cash.

The Chairman. I think it ought to be done among other things. I am not in favor of the President's program of making gasoline so high so the poor people cannot get it and the rich can get all they want.

Mr. Ross. I run four trucks on my farm. If I had to give the people who work with me, out of my pocket the dollars to go over there and say fill it up, I would tell them look here, don't be running all over the country in this pickup or in this cattle truck. I have a daughter who is getting a masters degree at the University of Alabama; she got a new Chevrolet. I think it would slow her down.

The Chairman. I agree it would. I am not in favor of some of the proposals of some of my colleagues on rationing. They are not old enough to remember the trials and tribulations of that. It is about as bad as the present program, but I think as to alternatives, you have suggested one.

The two that come readily to my mind is rigid enforcement of the 55-mile speed limit. I know from the operation of my own vehicle that would save at least 10 percent of the gas. In addition to that, close the service stations midnight on Sunday to midnight Monday or maybe 6 p.m. Saturday to midnight Sunday. That would stop the joy riders from gallavanting all over the country on weekends.

Those things in my judgment would save more fuel than the President's proposal and would not be harmful to the economy.

Mr. Ross. If the oil companies were to change the process of statements through their business files, that could bring down the cost of our fuel.

The Chairman. We are getting so far afield now, maybe we had better get off the record.

Mr. Ross. Let us go back now to one other thing. Senator, we will work out the cattle problem if they will leave us alone.

The Chairman. It will take a long time.

Mr. Ross. No, sir. The day after tomorrow I am going to have a meeting in Atlanta where we have a blue ribbon committee. We are going two routes. We have grass-fed cattle. We are killing these calves. Ten months ago I wrote every chainstore in the country and asked them to start selling these baggyfat heifers. We are not going to get lined up any more where we have to depend on feedlots altogether. I want a third of the momma cow boys in Mississippi to get out of the business and handle the calves for the other two-thirds. We want to

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put them on feed for 90 days, when he gets to 650, and sell him at 800 pounds. We are going to push that.

I have this southwide committee called grass-fed cattle. I think this fall, the farmers in Iowa, Indiana, and Kansas, will look at his corncrib and say I am going to buy some of those good Georgia calves and put this crib of corn through them rather than sell the corn to Japan.

The CHAIRMAN. They are not going to do it until you get a better ratio between the price of corn and the price of fed beef, because they are gun shy, they have been bankrupt.

I heard a statement over the radio a few weeks ago attributed to the president of the cattlemen's association, I believe in the State of Oregon. He said what feeders have lost, what the farmers and ranchers have logged in inventory losses, in the last year is $25 billion. I have no reason to disbelieve that statement. I think that is about right.

When a fellow has been burned like that he is not going to buy $3.50 corn to sell 32 cent-prime steers. Whatever they are bringing, what is it, 35 cents now? Corn is $3.50 and prime steer $35, that is a ratio of 10 to 1. To make any money at all you have to have a 6 or 7 to 1 ratio. To make money on steers, what do you have to have? About a 5 or 6 to 1 ratio. You get more gain per pound out of corn in hogs than you do on a steer.

Mr. ROSS. In the statement of the cattlemen in my State, they asked for a long-term loan. The cotton farmers asked for a target price at some level.

The CHAIRMAN. What do you recommend we do in this farm bill we are considering right now?

Mr. ROSS. The target price on cotton—and I would rather depend on your judgment there.

The CHAIRMAN. What would you recommend—something about the cost of production?

Mr. ROSS. No, sir.

The CHAIRMAN. What?

Mr. ROSS. Not quite, just slightly below.

The CHAIRMAN. Most of the cotton folks that have testified before this committee—there must have been 25 of them including 4 or 5 from your State, including Senator Stennis—recommended something on the order of the cost of production as the target price, and something on the order of 80 percent of the cost of production as the loan level. The loan level this coming year gets up to 34.27 cents. Cotton is selling at about 36 cents now. That would be slightly below.

Mr. ROSS. It's 34 cents, they do not want it at that.

The CHAIRMAN. The inventory of cotton worldwide has been increased in the last 3 or 4 years.

Mr. ROSS. Yes, sir.

The CHAIRMAN. I cannot see anything but a declining market.

Mr. ROSS. I agree.

The CHAIRMAN. These cotton folks that came to see me today, knew more about worldwide cotton than nearly anybody.

They say you ought to take this year next year. It is going to be something on the order of 6½ million bales domestic, and if we plant 9 million acres, make a bale to an acre, that is going to give us some-

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thing like 2½ million bales over and above domestic offtake. And we are going into the year with a carryover of 4 to 5.7 million bales, so we are increasing the overhang rather than decreasing.

Is there anybody else to be heard as a witness?

We will put your full statement in the record, Commissioner.

Mr. Ross. I have enjoyed it.

The Chairman. So have I.

I will see you next Monday. It is always a privilege to have you before this committee.

[The prepared statement of Mr. Ross follows:]

Statement of Hon. Jim Buck Ross, Commissioner, Mississippi Department of Agriculture and Commerce, Pelahatchie, Miss.

Mr. Chairman, my name is Jim Buck Ross from Pelahatchie, Miss. I am an active farmer engaged in broiler production, beef cattle, and a caged layer operation, plus the usual supporting field crops. But, I appear before you as the Commissioner of Agriculture and Commerce of the State of Mississippi.

If, in truth, our Nation requires full production from the Mississippi farmer, I must with candor attempt to bring to you a composite message from those 85,000 Mississippi farms which produce not only cotton, rice, and soybeans, but beef cattle, where our involvement is not in a transient cattle population that pass through our State along the way through the beef cycle but rather one of a permanent nature, by 40,000 cattle owners who have invested in the lands, the mama cow, the production facilities to be a calf factory to the beef industry. We run the gamut from field grown nursery and horticultural crops to some 30,000 acres of farm-raised catfish production.

History clearly shows this body has the remarkable ability to receive, assess and act upon the vast array of statistics, figures and testimony offered it. Yet I would ask you to consider an intangible fact. On virtually every one of those 85,000 farms in my State you find today, at the very best, a profound disquietude; and among so many, apprehension, distrust, and a grave fear of what the future may hold for the survival of agriculture in this so agriculturally oriented State.

As we in Agriculture have sought to follow the direction of the United States Department of Agriculture and this Administration, we found ourselves torn between the economics of what seems best for a soybean producer, a poultry operator, the housewife in the aisles of her favorite supermarket and the complexities of our balance of payments. Admittedly, each represents a valid portion of our total concern.

It would seem obvious that neither the producer, the Government, nor the general public wishes to see us return to that 40-year history of sometimes burdensome supplies of agricultural products enmeshed in an intricate costly web of controls, Federal decisions, and directives and at times mismanaged surpluses overhanging the market.

If in its best judgment our Government decides the farmer is to be encouraged to make the costly arrangements to gear up for full production and at a later date the Government decides in the best interests of the Nation as a whole that export sales of a commodity is to effectively be reduced and in so doing reduce the market value of the commodity by 25%, should it not be also willing to provide minimal future protection to that farmer since it cannot reimburse him.

Our current cotton program seems to work well only in times of considerable scarcity which inevitably results in bidding the price up to such a level as to cause the loss of markets which casues a larger supply and reduced prices, and so the roller coaster continues but always on a downhill slant for cotton. Against such a background, what textile manufacturer is not reluctant to buy cotton? Additionally, due to high interest rates, neither the cotton shipper nor the textile manufacturer can inventory but a minimum stock of cotton and most look to other fibers which seem to offer advantages in supply as well as price.

A reasonable level of stability of price and supply is in no way incompatible with a market-oriented agricultural policy. I submit there is a reasonable solution that protects the best interests of all parties and the mutual interests of the Nation as a whole.

The Commodity Credit Corporation loan originally did much to provide for orderly marketing and made it possible for the farmer to obtain production loans.

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On the other hand, a target price much below the cost of production along with a low loan rate and an unbearably high C.C.C. interest rate simply forces many farmers to dump their crop at harvest for whatever they can get.

I hope that consideration can be given to restructuring the Commodity Credit Corporation loan in such a fashion as to allow the farmer to obtain an 18-month nonrecourse loan, during which he alone can make sales out of the loan. The key would be an interest rate on these C.C.C. loans of such a level as to strongly encourage the farmer to make use of the loan as an orderly marketing tool. Certainly 5% would be the absolute top level of the loan rate, for beyond that it would lose all aspects of practicality. The loan level must not be so high as to guarantee the farmer a profit yet must be high enough to be that aid in orderly marketing and, of course, to secure the necessary production financing. For instance, I suggest a C.C.C. loan price of 40¢ per pound for upland cotton would be sufficient and at that level should not cause an accumulation of surplus stocks.

Consistent with this rather low level 40-cent loan rate must, however, be a target price that truly reflects by way of an escalator provision the effects of inflation on the purchased inputs in producton costs.

In this era of least cost large scale commercial production so as to provide the consumer with the greatest choice at the lowest price, is it really valid to consider a limitation of payments? Is our communication so poor that the average American consumer cannot readily perceive what is in his best interests?

I cannot fathom the wisdom of removing soybeans from the Commodity Credit Corporation loan provisions due to what history may show is a brief span in soybean marketing. Please consider restoring soybeans to the C.C.C. loan program.

A Mississippi farmer is constantly aware from the evidence on every side of the utterly devastating effects of disasters of many kinds and of the consequences where a prompt recovery is not possible. Priority attention to disaster assistance programs is urgently requested through changes in the Farmers Home Administration programs. A bill authored by Senators Eastland, Stennis, Dole, Allen, and Young which has great merit through careful study and a genuine knowledge of the specific problem areas is highly commended to this body by virtually every farmer in Mississippi.

Great credit is due those who participated in the move to establish the *cattle loan program*, yet I am fearful the present loan simply does not go far enough to make a real contribution toward the recovery of this industry which has and is and seemingly will continue to suffer grevious losses of such magnitude that economic disaster is present throughout this industry in astonishing amounts.

This great legislative body seeks to explore and balance the cost versus the benefits in all matters each day of its existence. I am hopeful that direction in this may be effectively communicated to the E.P.A. and O.S.H.A. and that a moratorium on new rules may issue forth which while still protecting the best interests of this nation would allow a 3 to 5 year respite from the inflationary effect of such new rules during the economic recovery period of this nation.

It is the overwhelming desire of the people of Mississippi that matters pertaining to land use laws be left to the individual States.

Please allow me in closing to indicate again that I fully accept and applaud the concept that the American people have a right to expect its National agricultural policy to look toward fully adequate supplies of feed, food and fiber. We know that freakish weather and the new oil economics can combine to cause very real crisis situations to exist. In responding to this probability, let us not resort to Government owned stocks of feed, food and fiber when the alternative is at hand for the individual farmer to carry sufficient inventories to meet the needs of this Nation providing the incentives are there in a form capable of massive practical usage.

The CHAIRMAN. The next witness is Mr. Brennon Jones, staff associate, Bread for the World, New York.

We are delighted to have you, Mr. Jones.

STATEMENT OF BRENNON JONES, STAFF ASSOCIATE, BREAD FOR THE WORLD, NEW YORK, N.Y.

Mr. JONES. I am a staff associate of Bread for the World, an interdenominational Christian citizens' movement against hunger and poverty. Eugene Carson Blake, the former general secretary of the

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World Council of Churches is president of Bread for the World; Bishop Thomas J. Gumbleton of Detroit is vice president; Norman E. Borlaug, the Nobel Prize winning agronomist, is a board member.

As the Congress reexamines the food-for-peace program, it is imperative that this examination be done with an understanding of the new world relationship. The World Food Conference in Rome, for all its shortcomings, moved the world an important step ahead. For the first time in history, the nations of the world recognized the hunger crisis as a global crisis, requiring global solutions.

The World Food Conference implicitly questioned the current system of international relationships based primarily on national self-interest. This questioning was aimed particularly at the area of food supply.

The United States clearly shoulders a special responsibility regarding global food needs. Our country controls most of the world's grain exports. U.S. commercial farm export earnings from poor countries alone jumped from $1.6 billion in 1972 to $6.6 billion in 1974, an increase that is twice our entire development assistance to those countries.

Bread for the World recognizes the need of developing a U.S. policy that must provide long range solutions and come to terms with the causes of hunger. The Public Law 480 program, if increased food aid were made available through it, could be an important vehicle in meeting the needs of today's malnourished and starving who cannot wait for long range solutions.

In revamping the food-for-peace program, Congress should clarify its purpose. Through the 30-percent restriction on political interest assistance, Congress has gone far in rectifying the distortions which last year allowed South Vietnam and Cambodia, with 0.8 percent of the world's population to receive 42 percent of the food-for-peace shipments. But present priorities continue to be based on political pragmatism in which the strategic importance of countries to the United States defines the levels, the allocations, and the timing of the food assistance program.

This is shown by the Ford administration's recent food increases, when assistance to Bangladesh, India, and the other most seriously affected nations became bogged down in the politics of food aid. Substantial increases were released only when they were tied to increases for the countries in which we have immediate political interest and that fell under the 30-percent limitation. Food-for-peace has become a thoroughly political issue; the starving of whom we heard so much in November have had to wait until the 1st of February for an American reply.

Bread for the World recommends that Congress and the American people redefine the food-for-peace program, tailoring it to meet the needs of the starving rather than the convenience of our political allies, and to reflect the more generous and responsive traditions of U.S. food assistance which we seem to have forgotten in recent years. Such a commitment would not only provide an example to the rest of the world, but would be an important short range contribution to Secretary Kissinger's vision that within a decade no child will go to bed hungry.

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Toward this goal, Bread for the World makes the following recommendations:

1. Congress should clearly designate the food-for-peace program as an instrument to end hunger. Humanitarian assistance should be its first priority, with no political food assistance given until the needs of the starving have been met; with no nonfood-commodity aid given when people are still starving; and with no commercial export trade stipulations attached to our food assistance agreements.

2. As a sign of such a commitment, overall food aid should be increased to the level of a tithe, 10 percent, of this country's agricultural commodity exports. This is a reasonable goal considering that 10 percent of last year's $21 billion in commodity exports would be $2.1 billion, only a $500 million increase over fiscal year 1975's $1.6 billion program.

In 1964, 26 percent of our agricultural commodity exports went toward food aid and as recently as 1972 we were providing 12 percent of our exports through the Public Law 480 program. The 10 percent contribution would be a fair commitment toward meeting the goal of the Rome conference to provide, on a 3-year planning basis, commodities and financing for global food aid to a minimum level of 10 million tons of cereal each year. Grant assistance should be increased, and in keeping with the World Food Conference's resolutions, a larger proportion of food assistance should be channeled through international agencies.

3. The administration and decisionmaking process of the Public Law 480 program should be so structured as to avoid the entanglement of food aid decisions in the broader internal disputes within our own Government. Toward this end, a single director of U.S. domestic and international food programs, such as the World Food Administrator proposed by Senator Mark O. Hatfield, would provide leadership and direction to the food-for-peace program.

Presumably, a Cabinet member or close adviser to the President, the administrator would need clear authority to move ahead. His mandate would be to allocate food for the hungry wherever they are, and when they need it, rather than to employ food-aid diplomacy in the national self-interest. Such an authority, we hope, would be empowered to work closely with the World Food Council as it implements the Rome conference directives.

4. To avoid delay and uncertainty in the provision and distribution of food assistance, and as a visible commitment to helping the needy nations, there would be long-range planning in the food-for-peace program with regular announcement of levels, allocations, and the timetable of distribution of Public Law 480 assistance.

5. Congress should examine the use of currencies generated through Public Law 480 concessional sales with the aim of urging their increased utilization in small farm agricultural development within the most seriously affected nations.

Congress has an excellent opportunity in its review of Public Law 480 to style an effective and compassionate food assistance program for the starving and malnourished. It is this kind of leadership in the hunger crisis which we believe most Americans are ready to support.

The CHAIRMAN. Thank you very much.

Mr. JONES. I would like to document that by telling you a little bit about Bread for the World.

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The CHAIRMAN. Without objection, you may submit that for the record. Unfortunately your 10 minutes has expired.

We appreciate your contribution to our deliberations.

The next witness is Mr. Duke Shackelford for the Louisiana Cotton Producers Association.

I am delighted to see you. I believe you have been before us before. I am glad to see you again.

STATEMENT OF DUKE SHACKELFORD, PRESIDENT, LOUISIANA COTTON PRODUCERS ASSOCIATION, JONES, LA.

Mr. SHACKELFORD. I am Duke Shackelford, and this is Sam Leake, and we feel that we are like a bowl of cornflakes at the Sans Souci, out of our place. But we are here. We feel we have deserved our 5 minutes.

Before I start, I appreciate your comment on the fertilizer, Senator. It is critically short.

The CHAIRMAN. You are not in favor of shipping it overseas?

Mr. SHACKELFORD. No, I am not. As an average consumer, if they knew that we were shipping something overseas that was going to raise the food costs, they would not like it either. Hopefully we will send you a little more Louisiana natural gas.

The CHAIRMAN. We have been urging the Federal Power Commission—it is not a partisan issue. Every member of this committee, Democratic and Republican has been fighting that battle for at least 18 months. Now you have me testifying instead of you.

Mr. SHACKELFORD. I expect yours will go in the record a little better than mine. I am going to read mine because that is how I have written it.

Mr. Chairman, my name is Duke Shackelford. I am a cotton farmer from Jones, La., and a member of the Louisiana Cotton Producers Association, in whose behalf I am offering testimony today. With me is Sam Leake, a cotton farmer from Newellton, La., who is President of our organization. We appreciate the opportunity to offer a few of our thoughts to this committee.

Mr. Chairman, the entire cotton industry is in a state of confusion and doubt. Growers are particularly troubled. In a few short months during the past year, we have seen the price of cotton fall below the cost of production. To add to our troubles, large areas of the cotton belt experienced some of the most wretched weather that we have endured for many years. We hear talk of double-digit inflation, but gentlemen, we have seen the prices of some of our most essential production inputs double and triple. I do not know how many inflation digits 300 percent is, but it must be a bunch.

In addition, we are beset with a continuous barrage of new regulations from such agencies as the Environmental Protection Agency and the Occupational Safety and Health Administration.

The CHAIRMAN. Would you yield at that point?

You say that these insecticides that you are burdened with now will not kill boll weevils but will kill people.

Mr. SHACKELFORD. Some of them will kill boll weevils; they will not kill worms. But they will surely kill people.

The CHAIRMAN. I hear the same complaint from my State.

Mr. SHACKELFORD. They really will do that.

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The CHAIRMAN. Please proceed, sir.

Mr. SHACKELFORD. You made that point. I will just skip o that. This compounds our troubles with O.S.H.A. regulations a leaves us vulnerable to all kinds of problems in this area. They imı diately find you guilty, you know, Senator.

Mr. Chairman, we know that our long-term hopes for a heal industry are dependent on a stronger economy both here and abro With increased demand for textiles, cotton will move and prices strengthen. The trouble is that the problems of most cotton grow are immediate. That means now. They need financing for the 1! crop. They need to be able to make plans with reasonable assura that they will not go completely broke trying to carry them out. average cotton farmer is like a man bleeding to death. He cannot w a year for a transfusion, and cannot be too particular about where blood comes from.

Bearing these things in mind, we have a few suggestions and comme for your consideration:

One, we believe that the U.S. Department of Agriculture should urged to announce immediately a final loan rate for the 1975 c equal to the target price. If it could be done administratively, it wo give immediate relief.

The CHAIRMAN. Did you hear my discussion with the Commissio of Agriculture from Mississippi?

Mr. SHACKLEFORD. I was here at the tail end of that.

The CHAIRMAN. What do you recommend as the loan level and the target price? The loan level this year, I believe, goes automatica to 34.27 cents.

Is that right?

Mr. SHACKELFORD. That is the first loan level, is that not rig They have the option of setting the next loan level. They say tl can go up or down.

The CHAIRMAN. What do you think we should set the loan level

Mr. SHACKELFORD. 38 cents.

The CHAIRMAN. The target price?

Mr. SHACKELFORD. I could not swear to the target price. I am ı competent to do that.

The CHAIRMAN. At or near the cost of production?

Mr. SHACKELFORD. Certainly.

The CHAIRMAN. What is your cost of production? What was it 1974 and what will it be in 1975?

Mr. SHACKELFORD. My books are not here, Mr. Chairman.

The CHAIRMAN. What is your best guess?

Mr. SHACKELFORD. $250 an acre.

The CHAIRMAN. What is your yield?

Mr. SHACKELFORD. Anywhere from a bale to two bales, depend on the year.

The CHAIRMAN. What does that cost you a pound to produce?

Mr. SHACKELFORD. Roughly 40 cents to 45 cents a pound.

The CHAIRMAN. We have had a host of witnesses before this co mittee, particularly last week, and I think the lowest estimates we h on cost of production was about 46 cents, 47 cents, 48 cents in ı Mississippi Delta, a high of 55 cents in the Georgia, South Caroli and North Carolina areas, and we did have one very efficient farn

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from Georgia here who apparently kept very good books and made a bale and a half to the acre, and estimated his cost of production was 37 cents a pound. I do not think he was charging anything for management.

Mr. SHACKELFORD. Yes, sir. I am sure he was not. That is a great issue as to what the loan level should be.

The CHAIRMAN. One thing that concerns me—remember when we had the loan level above the world market price?

Mr. SHACKELFORD. Yes, sir.

The CHAIRMAN. All the cotton went in the warehouse and it impeded its flow in international trade. We lost our export market, accumulated 17 million bales surplus at enormous carrying charges. I would dislike to see a repetition of that.

Mr. SHACKELFORD. So would we.

The CHAIRMAN. At the same time I realize that the loan level and target price now, not only for cotton, but for these other basic commodities, is wholly inadequate in view of the inflationary spiral that we have had in the past 18 months.

Mr. SHACKELFORD. Mr. Chairman, let me ask you, it is my information that the target price in years after this one was supposed to be tied to the cost of production.

The CHAIRMAN. It escalates next year, to my recollection. Remember we passed a bill through the Senate where the target price of cotton was 43 cents with an escalation clause therein. Then we went to conference with the House and we were threatened with a veto, so the Senate had to yield in order to get a bill in. Eighteen months ago our bill was not too unrealistic. It was not all the Senate desired, not what this committee desired. In the legislative field it is the order of the opossum, the best we could get at that time, not completely and utterly unrealistic, as it is now.

Mr. SHACKELFORD. Mr. Chairman, I do not know whether you noticed, but there was a gentleman sitting over there who buys a world of fiber for a fiber company. He tells me that his cost of polyester staple is 42 cents. I think we have to be realistic in the fact that we cannot set the loan rate for cotton at a price that would hit us above that level. I wish I were smart enough to say where the loan level would be. That is something we discussed among ourselves. None of us feels competent to really say. We did not figure we could ever persuade the Agriculture Department to raise it above the present target price, and that is the reason we put that statement there.

The CHAIRMAN. Frankly, I do not know what we could do, how much hostility we will meet from the Department or the White House. I think it is encumbent upon this committee—we would be derelict in our duty if we did not do the best we could.

Mr. SHACKELFORD. Yes, sir. If they pick them up a price, they can get them some figures to justify it. They always have. In any new farm legislation, the target price should be raised to reflect the cost of production. Keeping production cost information current will be a challenge to the Department of Agriculture, but will be essential if the legislation is to function as intended. We think the idea of establishing the loan as a percentage of the target price has merit and deserves consideration.

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Forward contracting has become a valuable tool for both buyers and sellers of cotton. Consideration should be given to the possibility of underwriting such contracts, and to the desirability of some type of legislation involving the sanctity of these contracts. It is our understanding that bills may be introduced in several State legislatures regarding cotton contracts. I have heard that in various areas of the country this situation lends itself to confusion. If we are to have legislation, it should be uniform in all areas.

I will have to close.

The CHAIRMAN. Your entire statement will go in the record. I have asked you all the questions I would have under any conditions.

What size acreage allotment do you have for cotton?

Mr. SHACKELFORD. I have judiciously scattered all of mine around. I have an allotment of around 400 acres personally. My family raises cotton in other farms in the area.

The CHAIRMAN. Leased land in addition to your allotment?

Mr. SHACKELFORD. I plant additional land. Last year I planted about 1,200 acres, but my allotment——

The CHAIRMAN. What is the going rate for cotton leased in Louisiana now?

Mr. SHACKELFORD. You cannot give it away, Mr. Chairman.

The CHAIRMAN. I think that is not true in Georgia. I anticipate that about half of the Georgia cotton acreage last year, we produced about 410 bales on about 410 acres, an average of a bale an acre. There was a time, I think, when Georgia was second or third largest cotton producer of any State in the Union. We are way down the scale now. I think Louisiana produces more than we do now, do they not?

Mr. SHACKELFORD. On the average, I doubt if we will do that next year, Mr. Chairman.

The CHAIRMAN. I think half the cotton acreage will go into soybeans this year.

Mr. SHACKELFORD. You will see that trend all around the country, depending; everybody, every farmer I know, says he is trying to keep all the options he has open till planting time, Mr. Chairman.

The CHAIRMAN. Thank you very much for your contribution.

[The prepared statement of Mr. Shackelford follows:]

STATEMENT OF DUKE SHACKELFORD, PRESIDENT, LOUISIANA COTTON PRODUCERS ASSOCIATION, JONES, LA.

Mr. Chairman, my name is Duke Shackelford. I am a cotton farmer from Jones, Louisiana, and a member of the Louisiana Cotton Producers Association, in whose behalf I am offering testimony today. With me is Sam Leake, a cotton farmer from Newellton, Louisiana, who is President of our organization. We appreciate the opportunity to offer a few of our thoughts to this committee.

Mr. Chairman, the entire cotton industry is in a state of confusion and doubt. Growers are particularly troubled. In a few short months during the past year, we have seen the price of cotton fall below the cost of production. To add to our troubles, large areas of the cotton belt experienced some of the most wretched weather that we have endured for many years. We hear talk of "double-digit" inflation, but Gentlemen, we have seen the prices of some of our most essential production inputs double and triple. I don't know how many inflation digits 300 percent is, but it must be a bunch. In addition, we are beset with a continuous barrage of new regulations from such agencies as the Environmental Protection Agency and the Occupational Safety and Health Administration. They do not have one thing to offer that does not add to ours costs. The E.P.A., in all of its

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wisdom, outlaws our most effective insecticides, and leaves us with chemicals that won't kill anything but people. This compounds our troubles with O.S.H.A. regulations and leaves us vulnerable to all kinds of problems in this area.

Mr. Chairman, we know that our long term hopes for a healthy industry are dependent on a stronger economy both here and abroad. With increased demand for textiles, cotton will move and prices will strengthen. The trouble is that the problems of most cotton growers are inmediate. That means "Now". They need financing for the 1975 crop. They need to be able to make plans with reasonable assurance that they will not go completely broke trying to carry them out. The average cotton farmer is like a man bleeding to death. He can't wait a year for a transfusion, and can't be too particular about where the blood comes from.

Bearing these things in mind, we have a few suggestions and comments for your consideration:

1. We believe that the U.S. Department of Agriculture should be urged to announce immediately a final loan rate for the 1975 crop equal to the target price. This would stabilize prices and help growers to arrange financing, and should be done as soon as possible. We realize that this requires a change from the program that has been announced, but we believe that conditions make it justifiable.

2. In any new farm legislation, the target price should be raised to reflect the cost of production. Keeping production cost information current will be a challenge to the Department of Agriculture, but will be essential if the legislation is to function as intended. We think the idea of establishing the loan as a percentage of the target price has merit and deserves consideration.

3. Forward contracting has become a valuable tool for both buyers and sellers of cotton. Consideration should be given to the possibility of underwriting such contracts, and to the desirability of some type of legislation involving the sanctity of these contracts. It is our understanding that bills may be introduced in several state legislatures regarding cotton contracts. This situation lends itself to confusion. If we are to have legislation, it should be uniform in all areas.

4. We believe that research and promotion programs now under way are essential to increasing cotton consumption and reducing the cost of production, and that they should be expanded and fully funded each year. We believe that funds spent in this manner should be considered an investment rather than an expense, as they work for the benefit of both producer and consumer.

5. The possibility of establishing consumer and marketing reserves should be considered carefully. If reserves are established, they should be designed so that they will not seriously damage agriculture's marketing system.

In connection with our marketing system, we urge that all possible influence from every area of government be used to insure that certain foreign buyers be required to honor the contracts that they made with our American cotton shippers. Their attempts to renege on these agreements has had a demoralizing effect on our entire industry.

Mr. Chairman, we don't pretend to know all the answers. We are sensible of the many economic problems that beset our country and we realize that it will be difficult to pass any worthwhile farm legislation. We also know that a strong American agriculture is vital, not only to our country, but to the entire world. If you gentlemen will lead the way, we stand ready to help in any way that we can.

We appreciate and thank you for this time.

The CHAIRMAN. I believe we have one more witness waiting. Mr. Robert Ray, vice president and chairman of the legislative committee of the Beekeepers Association from Tintah, Minn.

STATEMENT OF ROBERT RAY, VICE PRESIDENT AND CHAIRMAN, LEGISLATIVE COMMITTEE, AMERICAN BEEKEEPING FEDERATION, INC., TINTAH, MINN.

Mr. RAY. My name is Robert Ray. I am vice president and chairman of the legislative committee of the American Beekeeping Federation which is a national organization with membership in Minnesota and have been in this business for more than 40 years.

I have with me Morris Weaver, president of the Beekeeping Federation.

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We thank you for the opportunity to present on behalf of our national organization this statement, supporting Senate bill 513, which in the interest of time I will summarize.

May I request that this statement and attachments be included in the record?

The loan and purchase program for honey has been in effect since the early 1950's through the 1974 crop year. USDA has announced there will be no loan program for 1975.

USDA officials in numerous instances have referred to the program as a model or ideal program because there have been so very few years when any honey was turned over to Commodity Credit Corporation.

The program has served its intended purpose of providing readily available interim financing, orderly marketing, stability in the market and support for producers to maintain honey bee populations to provide the pollination necessary for viable agricultural production in a beneficial manner at relatively low cost to the Government.

Those few years in which a takeover was effected were either very high production or very high import periods or a combination of both, with those quantities readily absorbed by the school lunch program.

Honey is a seasonally produced product with the bulk of production coming in May, June, July and August; yet it must be marketed throughout the year. Our handlers generally are not able to absorb all of the product as fast as it is produced. Producers must be able to hold at least a portion of their crop for several months to obtain a fair market price. With a loan program available, an orderly movement without distress dumping has been possible.

The level of support has ranged from 60 percent to a high of about 70 percent with a tendency to be at or near the 60-percent level, particularly the last 4 or 5 years. This low level of support despite repeated and continuous requests from our industry has undoubtedly been a factor in generally declining use of the program, especially the last 2 years when market prices were far above the loan level.

The last few months of 1974 did show some increase in the number of loans, as noted on the attached statistics, in spite of the low level of support and very high interest rates. That increased usage can be correlated with a slower than normal movement of honey from the producer to the packer or handler primarily due to very high imports and the inroads on the market, particularly for industrial types of honey, that the new isomerized high fructose sirups are making.

These current marketing conditions prevail with one of the smallest crops on record being produced in 1974, by a slightly increased number of colonies. This is one of the conditions we believe the loan program was originally intended to cover and alleviate, which it has done in the past. We must expect increasing competition for this industrial use market from the new sirups as production facilities are increased. It will take time to develop new markets for this type of honey. We would expect greater use of future loan programs will be made, if as expected, our bulk product movement remains slow due to this competition and the relatively high cost of financing supply inventories by our packers and handlers continues.

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The existence of the honey loan program has also provided a base for much more extensive financing from banks and other private lending institutions. We would expect such financing to be much more difficult to obtain and at reduced levels if the loan program is nonexistent, especially for those who are just getting established.

A straight purchase program alone as proposed for 1975 can not provide the financing, orderly marketing and stability needed by our industry to provide adequate honey bee populations for the pollination needs of our total agricultural production when you consider that more than 50 major crops with a value far in excess of $1 billion are entirely dependent on honey bee pollination, an additional $2 billion in production benefits from honey bee pollination and that pollination service is mainly dependent on the sale of honey for sustenance.

We respectfully request steps be taken to reinstate the loan program on honey and submit that the use and value of the program to the industry be greatly enhanced by increasing the minimum support level.

We would expect and fully intend to continue to move our product into the marketplace rather than to Commodity Credit Corporation, using the loan program for its originally intended purposes.

Thank you for your consideration of our request.

The CHAIRMAN. Thank you, sir.

Do you have any comment?

Mr. WEAVER. No, sir. I endorse his statement.

The CHAIRMAN. I thought honey was bringing a very high price because of the high price of sugar.

Mr. RAY. The price of honey went up ahead of the price of sugar, so I do not know if you can contribute it; it helped keep it there.

The CHAIRMAN. When sugar is high does honey go up, and vice versa, does honey go down?

Mr. RAY. It has always been a competitive team. Honey, as a general rule, is not affected too much by the price of sugar.

The CHAIRMAN. Can a diabetic eat honey?

Mr. RAY. As a beekeeper, I might say yes, but I would infringe upon the medical profession in answering that question. There are some that can. The medical profession says no, not as a general practice.

The CHAIRMAN. We appreciate your contribution. We have quite a bee industry in Georgia, as you are aware. Do you lease your hives to people to pollinate crops?

Mr. RAY. We rent them.

The CHAIRMAN. That is what I mean.

Mr. RAY. Yes.

The CHAIRMAN. And move your colonies where the crops are blooming?

Mr. RAY. Yes.

The CHAIRMAN. What do you feed them on, clover?

Mr. RAY. We would like to. Clover production is going down, which is a factor in the production of honey in the whole country.

The CHAIRMAN. Any questions, Senator?

Senator DOLE. No; no questions. Thank you for waiting.

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[The following statements were submitted by Mr. Ray:]

STATEMENT OF JAMES POWERS, CHAIRMAN, HONEY INDUSTRY COUNCIL OF AMERICA, PARMA, IDAHO

The Honey Industry Council is composed of representatives from the Americar Beekeeping Federation, the National Honey Packers and Dealers Association the American Bee Breeders Association, the Bee Industries Association and othe industry organizations and is, therefore, a composite of all honey industry orientec organizations in the U.S.A.

In the interest of saving time, and repetition of basic facts, we wish to concu with and support the statement presented by Mr. Robert Ray, on behalf of th American Beekeeping Federation and respectfully request the reinstatement o the Honey Loan Program.

Thanking you for your consideration.

SIOUX HONEY ASSOCIATION,
Waycross, Ga., February 13, 1975.

Hon. HERMAN TALMADGE,
Chairman, Senate Agriculture and Forest Committee.

DEAR SENATOR TALMADGE: Sioux Honey Association is an Agricultur Marketing Cooperative of member beekeepers producing honey in 38 states. Thi organization processes approximately 50 million pounds of honey annually, an markets it in all 50 States, Great Britain, Europe, and the Far East.

On behalf of the 1200 members of The Sioux Honey Association, I wish to urg your support of Senate Bill #513 which has been introduced to reinstate the Loa Support Program on honey and other farm products.

As a marketing cooperative, owned by American beekeepers, Sioux Hone Association has been a major factor in providing a stable market for our produc Over the years The Loan Support Program has been another very importan contributor toward an orderly market of honey. This program provided a source c interim financing which enabled the beekeeper to await optimum marketing con ditions, without creating an undue burden upon the U.S. Dept. of Agriculture c the taxpayer.

It is vitally important to the food production of America that a sufficie honeybee population be maintained to insure adequate pollination of numero fruits, nuts, vegetables and important seed crops, that depend upon the honeyb for maximum yields.

The Sioux Honey Association strongly urges your support of necessary co gressional action to re-instate the Honey Loan Program in its original form.

Sincerely,

HARRY RODENBERG,
President.

THE AMERICAN BEEKEEPING FEDERATION, INC., RESOLUTION 11—HONEY LO PROGRAM

Whereas, the United States Department of Agriculture has announced th there will be no honey loan program for 1975 crop honey, and;

Whereas, honey is a seasonally produced commodity, and;

Whereas, the honey loan program has given beekeepers interim financing a stability in the market place, and;

Whereas, the honey loan program has cost the government very little mon while greatly benefiting honey producers; therefore, be it

Resolved, That the American Beekeeping Federation in convention assembl this 24th day of January, 1975, request the Secretary of Agriculture to reconsid this announcement, reinstate the honey loan program for 1975 and succeedi years; be it further

Resolved, That the Secretary of Agriculture be urgently requested to suppo honey at 90% of parity and reduce the high interest rate on loans.

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Year	Average market price (cents)	National average support level (cents)	Support as percent of parity (percent)	In millions of pounds: Production	Exports	Imports	Quantity acquired by CCC
1956	13.6	9.7	70.0	213.6	18.2	4.8	
1957	13.4	9.7	70.0	242.7	19.8	4.8	
1958	12.0	9.6	70.0	264.3	22.4	3.9	2.0
1959	12.2	8.3	60.0	245.8	12.5	4.5	
1960	12.9	8.6	60.0	258.2	9.4	12.4	
1961	13.2	11.2	75.0	274.1	7.2	9.0	1.1
1962	12.8	11.2	71.0	272.8	13.6	7.1	
1963	14.2	11.2	67.0	299.4	25.1	2.6	
1964	13.8	11.2	65.0	284.9	8.9	4.9	2.2
1965	13.3	11.2	63.0	278.2	13.8	13.3	3.3
1966	13.1	11.4	61.3	241.6	NA	NA	4.1
1967	12.4	12.5	64.0	215.8	NA	NA	5.4
1968	12.9	12.5	66.8	191.4	NA	NA	.1
1969	13.6	13.0	66.7	267.5	NA	NA	3.5
1970	14.2	13.0	63.7	221.8	NA	NA	
1971	18.0	14.0	66.7	197.4	NA	NA	
1972	27.0	14.0	62.8	214.1	4.1	39.0	
1973	42.1	16.1	60.2	237.7	17.6	10.7	
1974	47.7	20.6	60.0	185.3	4.6	26.0	

U.S. DEPARTMENT OF AGRICULTURE,
STATISTICAL REPORTING SERVICE,
Washington, D.C., January 15, 1975.

ANNUAL SUMMARY OF 1974

Honey produced in the United States during 1974 totaled 185 million pounds—down 22 percent from the 1973 crop, according to the Crop Reporting Board. This year's honey crop was produced by 4.2 million colonies, up 2 percent from the previous year. Yield of honey per colony was 44.2 pounds, compared with 57.9 in 1973. Beeswax production totaled 3.4 million pounds in 1974, down 19 percent from 1973.

HONEY AND BEESWAX: PRODUCTION AND VALUE OF PRODUCTION, AND HONEY STOCKS, 1965–74

Year	Honey: Colonies of bees (1,000 colonies)	Yield per colony (pounds)	Production (thousands of pounds)	Price per pound (dollars)	Total value (thousands of dollars)	Stocks on hand (thousands of pounds)	Beeswax: Production (thousands of pounds)	Price per pound (dollars)	Total value (thousands of dollars)
1965	4,718	51.3	241,849	0.178	43,011	57,679	4,697	0.449	2,111
1966	4,646	52.0	241,576	.174	41,929	55,340	4,615	.465	2,148
1967	4,635	46.6	215,780	.156	33,673	56,733	4,386	.588	2,580
1968	4,539	42.2	191,391	.169	32,400	41,021	3,797	.616	2,340
1969	4,433	60.3	267,485	.175	46,742	62,743	5,171	.611	3,162
1970	4,290	51.7	221,842	.174	38,550	50,575	4,377	.602	2,638
1971	4,110	48.0	197,428	.218	43,100	30,907	3,585	.613	2,196
1972	4,068	52.6	214,079	.302	64,619	29,835	3,988	.621	2,476
1973	4,103	57.9	237,657	.444	105,434	37,663	4,231	.744	3,147
1974	4,19	44.2	185,338	.5104	94,563	33,780	3,413	1.14	3,900

UNITED STATES DEPARTMENT OF AGRICULTURE—AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, MONTHLY REPORT OF HONEY CCC LOAN ACTIVITY AS OF DEC. 31, 1974—1974 CROP

State	Number of loans made	Pounds: Quantity put under loan	Loan quantity repaid	Loan quantity delivered	Quantity outstanding
Total	268	12,062,355	1,859,397		10,202,958
Comparative totals as of Dec. 31:					
1973 (1973 crop)	222	10,743,712	1,159,031		9,584,681
1972 (1972 crop)	356	18,770,549	2,163,160		16,607,389
1971 (1971 crop)	464	22,268,964	4,652,687	21,970	17,594,307
1970 (1970 crop)	673	39,069,900	3,472,261		35,597,648

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The CHAIRMAN. At this point, I will insert statements of
Edwin M. Wheeler of the Fertilizer Institute and Mr. Rodne
Leonard, Community Nutrition Institute.
[The statement of Mr. Wheeler follows:]

STATEMENT OF EDWIN M. WHEELER, PRESIDENT, THE FERTILIZER INSTITUTE

The food cost to over 200,000,000 Americans is the number one economic
oday. Inflation, job loss, etc., are of secondary importance. Indeed, wi
vithout employment, sustenance is paramount. Whether the foregoing truis
ased on a scientific survey or on everyday casual conversation, no one ca
essfully dispute this conclusion.

What to do about this situation is tied directly to the question of target p
oan levels, etc., being considered by this committee. The vexatious dilemn

1. High food prices,
2. Generally high food demand,
3. Low world grain reserves,
4. Sagging grain, dairy, poultry, and livestock prices, and
5. Soaring farm input costs.

ll these (and more) must meld into your considerations. The delicate relatio
f profitable grain farming without pricing feed out of reach of the poultry,
nd livestock operator is a classic example of the care needed in the final le
ion. What is done here affects millions around the world; it affects our abil
urchase energy and ores that we must import.

To meet our national goal of maximum farm production the farmer is ru
is "factory" all out as the chart below would indicate.

U.S. CROP LAND

[In million acres]

Year	Planted [1]	Set aside	Total planted and set aside	S as
60	322.5	28.7	351.2	
61	307.2	53.7	360.9	
62	295.3	64.7	360.0	
63	299.2	56.1	355.3	
64	298.5	55.5	354.0	
65	297.2	57.4	354.6	
66	293.1	63.3	356.4	
67	305.8	40.8	346.6	
68	299.4	49.3	348.7	
69	291.2	58.0	349.2	
70	293.3	57.1	350.4	
71	306.2	37.2	343.4	
72	295.2	62.1	357.3	
73	320.3	19.5	339.8	
74 [2]	328.5	0	328.5	

[1] Principal crops.
[2] Estimated.

Note; Not all official reductions of set-aside acreage are necessarily planted.
Source: W. R. Grace & Co.

One would assume that the full throttle approach would begin to trigger
n reserves. Alas, it has not. From the second chart and, more particularl
ght-hand column marked "Days Supply on Hand," the world situati
arming—only 34.7 days on hand (preliminary estimate) to only 26.7 da
and is forecast for 1975.

WORLD FOOD PRODUCTION, CONSUMPTION AND STOCKS 1961-75

Year ending June 30	Food consumption and production (grain equivalent in million short tons)			Stocks of wheat and course grains at end of year		
	Consumption	Production	Surplus/(deficit)	Million short tons	Pounds per capita	Days supply on hand
1961	887.2	901.2	14.0	193.5	127	78.6
1962	896.5	867.2	(29.3)	164.1	106	65.4
1963	917.1	921.0	3.9	168.0	106	64.1
1964	923.6	917.9	(5.7)	162.4	101	61.9
1965	960.5	963.6	3.1	165.5	101	60.4
1966	1,002.4	963.2	(39.2)	126.3	75	45.5
1967	1,006.2	1,038.2	32.0	158.3	93	55.0
1968	1,053.0	1,070.8	17.8	176.0	101	59.1
1969	1,085.7	1,116.8	31.1	207.1	117	66.0
1970	1,148.1	1,126.9	(21.2)	186.0	103	57.7
1971	1,176.9	1,135.9	(41.0)	145.0	79	43.9
1972	1,211.8	1,232.6	20.8	165.8	88	48.8
1973	1,237.0	1,190.1	(46.9)	119.4	62	33.4
1974 preliminary	1,299.4	1,298.4	(1.0)	118.7	61	34.7
1975 projected	1,250.0	1,227.0	(23.0)	95.3	48	26.7

Source: W. R. Grace & Co.

An anomaly presents itself in that grain demand and farmer price has softened in the face of these very low reserves. With slackening demand, prices farmers received have declined. USDA recently reported (Agricultural Prices, Jan. 15, 1975) as follows:

	Jan. 15, 1974	Jan. 15, 1975
Wheat (per bushel)	$5.29	$4.11
Corn	$2.59	$3.07
Cotton, Upland (cents per pound)	50.9	42.1

However, since this report was prepared these three basics have slipped backward, ever downward. Summed up, the world's economy is such that many nations simply can't buy either what they formerly purchased or what they need. Blame it on oil prices or what you will, many nations simply don't have the free foreign exchange necessary to satisfy their needs.

In our own country a general belt tightening is obvious in meat purchases, clothing, etc. This does not in any wise indicate a diminution of need, it is simply the inability to pay.

To cheapen food prices our national policy of maximum production is going to reduce what the farmer receives. This is occurring precisely at the same time his input costs are soaring. The next several charts tell the same story—bad news for our farmer.

[Index 1967=100]

	Jan. 15, 1974	Jan. 15, 1975
Prices received	198	174
Prices paid	157	179
Ratio (received to paid)	126	97
USDA, ag prices Jan. 15, 1975		

Note the 22 point rise in expenses and the 24 point decline in receipts. If this trend is not halted the farmer is on a collision course with bankruptcy.

Viewed from another angle, the same picture emerges. One should particularly note the steady upward rise of all inputs. Our industry, fertilizer, disastrously (to us) lagged behind. We, too, have now joined the parade.

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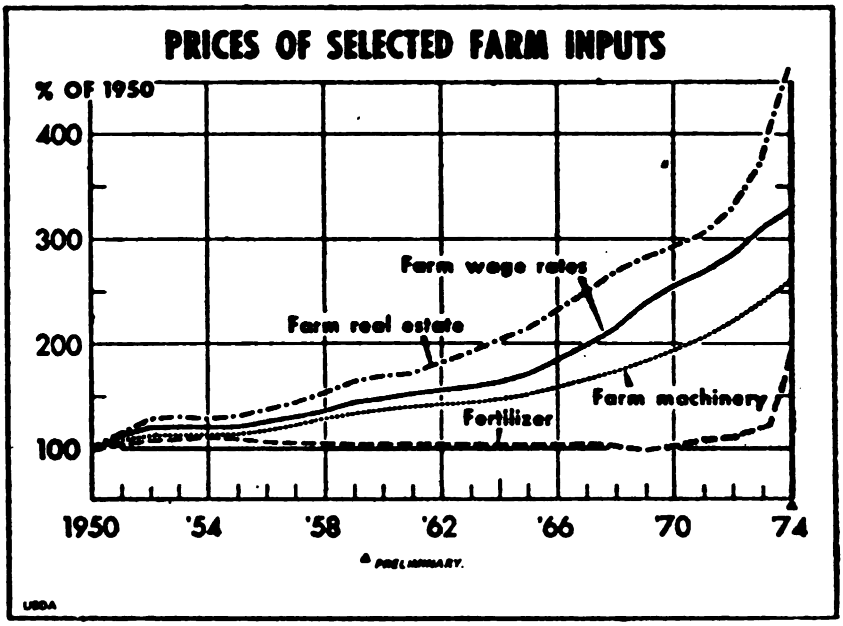

Fertilizer prices have risen rapidly due to soaring fuel, feedstock, equipment, labor and transportation costs. The law of supply (not enough) vs. the law of demand (more than we can supply) have *both* contributed to the situation. Foreign governments would, for many reasons, much rather keep their farm populace employed growing their own grain, hence the burgeoning demand for U.S. fertilizer. We respectfully remind the Committee that for several years (1968, 1969 & 1970) we were a loss industry. No new capacity was brought on stream, it was not needed. When the demand dam burst we couldn't stem it. Our producers are in the advanced stages of a tremendous expansion program—well over $5 billion announced and under contract. Relief is on the way but for the foreseeable future fertilizer prices will remain like total demand, high. We are large energy users. Our farmers are large, very large, energy users. If energy costs remain high, as most authorities believe they will, farm costs will remain high.

What then should be done in view of the need for high production, lower total consumer food costs, high input costs of all kinds, competitive export and/or humanitarian needs? Clearly, there must be some form of assurance to *the real risk taker* in the foregoing formula. *It is the farmer who is being asked to bear all the burden of over-production, weather, inflationary costs, and no one else.* He has been through the mid-'60 debacle of being urged to produce—nearly to the point of *his* destruction.

We, therefore, strongly urge the Committee in considering the new or revised legislation to remember that during the much derided period of "surpluses," "storage charges," etc., we had our most stable food prices and supply known in our nation's recent history. That while these storage charges and government subsidies were damned on many occasions and were, in fact, substantial drains on our federal budget, one should ask, "Was the insurance premium (subsidy and storage expense) too high to assure stable domestic consumer prices, adequate grain reserves for humanitarian and political purposes abroad?" Whether one agrees or disagrees with the foregoing, surely our most urban consumer-oriented legislator or citizen must see the necessity of an on-going, ever-growing food production, even if at times Federal monies are required.

Our farmers should be assured of target prices that reflect, as a minimum, his input costs. These input costs are readily identifiable on both a historic and current base. By use of index devices as his input costs rise his target prices should go hand in hand. A safety valve is not necessary if grain planted in the spring against one input index could be sold in the fall at booming prices—the free market has

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protected him. On the other hand, if prices fell sharply the target price would, as a minimum, assure him (1) of a break-even operation, (2) and encourage him to stay in the business of food production for at least the coming new year.

Arbitrary Congressionally fixed target prices *do not* do what the legislative authors want or the farmers need. Flexibility and realism as adjusted by the farmers input cost (market) and output (market) should be built into the new legislation—effective with the enactment of the bill.

Obviously, safeguards must be included which will not encourage wild unneeded over-production of certain crops. Indeed, a parity feature or ratio between dairy, poultry, and livestock prices, and feed grains (target) prices should receive careful consideration.

All of us as consumers, farm suppliers, citizens, must realize that failing farmers or depressive farm prices—below the farmers production costs—mean an immediate drop in food supply. Is is not, therefore, to the best interest of us all to see that our food supply continues at a high level? Is not an assurance to *the* risk taker of adequate return for his efforts a very minimal act on the part of the government representing 200,000,000 people? And many more who can not help themselves?

Compared to the proposed 1976 budget of $350,000,000,000 the cost would be hard to identify. Loss of farmers and their production or people starving, on the other hand, would be found easily indeed. We as a nation cannot afford that risk.

Statement of Edwin M. Wheeler, President, The Fertilizer Institute—Supplemental Statement

Mr. Chairman, my testimony submitted yesterday as you were compelled to go to the floor was germaine as to the earlier hearings on the inquiry into target prices, loan, etc. It did not address itself, however, to the inquiry into P.L. 480 and the other ramifications of food relief to the emerging nations.

In waiting to testify I couldn't help but think to myself, "We're missing testimony and witnesses that should be heard from—the proposed recipients." By this, I mean that before we undertake either fire brigade relief or long term action, we ought to have additional fact as to what is going on within the principal recipient nations of our country's largess.

That there is a real need or urgency to temporarily tide certain nations over can hardly be doubted. That the U.S. can continue to shoulder this growing population food burden over the long pull can hardly be doubted. What then after we douse the current fire?

First the committee, after identifying the historical major recipients ought to investigate what these recipients are currently doing in the way of self-help. I can assure you it would be an eye-opener. For example, some of these nations are artificially depressing the price of indigenous produced foods below their real market value. While it is done in the name of inflation fighting, the reaction of the farmer is what one would expect. He grows just enough to feed his family. He will not use fertilizer, pesticides, etc., which all of the green revolution hybrids must have. Put another way, where these inputs are being imported, they are purchased on the world market for world prices and they are expensive—very expensive. But, for example, as has been proven in India, Sri Lanka and South Vietnam, if a farmer gets say $160 a ton for rice and urea costs $400–$600 a ton, the farmer won't buy the nutrient.

Contrary to some fuzzy thinking (or thinkers), the farmer around the world is the soundest economist known. He may be illiterate, but he knows when his costs exceed his income; he knows in his own mind when he should step up production or stand pat.

Secretary Butz received much criticism at Rome for saying about the same thing, but he is right. Therefore, the Committee should make an in-depth inquiry as to these distorting economic practices to see if the recipients are *ever* going to start feeding themselves.

Second, much has been made over the fertilizer shortage per se being responsible for the food crisis. We have serious reasons to doubt this. Attached is the most recent authoritative news from India, the January 1, 1975 "Fertilizer Marketing News" published by The Fertilizer Association of India. It is important to note the observation therein, "This downward trend in consumption is causing concern to the industry as well as to the (Government) planners, as in the ultimate

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analysis, it will tell upon the overall agricultural production." Information available to us here clearly indicates India, among others, has a "back up" in the supply line, i.e., they are having trouble selling what they have. Recent public tenders by the emerging nations show that while prices are very high every material sought had from 3–5 tons offered for every one ton requested.

Third, we are discouraged at the lack of progress the emerging nations are making in securing maximum production from their own plants. Many of these facilities are running in the 60% of capacity area. Contrast this to the 90–95% rate of Japan, Canada, the U.S. and Europe—something is wrong. These nations are long on excuses and short on remedial action.

All of this leads me to strongly urge that some conditions on long-range food aid must be tied to stern conditions relating to self-help progress. Failing this, we will be bailing out this growing population in perpetuity. I do not think we can say "you must change your political system." I do advocate, however, a realistic approach to solutions of these problems by firm commitments from them to put their own house in order promptly.

I respectfully request that this additional or supplemental testimony be added to the Committee's record.

[From the Fertiliser Marketing News, Jan. 1975]

Dear Readers, I wish you all a very happy and prosperous New Year.

As we step into 1975, *Fertiliser Marketing News* enters the sixth year of its life. The success it has achieved in its brief span of existence is mainly due to the support it has had from you. I hope it will continue to receive your patronage in abundant measure in the years to come.

The reported slackness in fertiliser offtake, which developed in the past year is attributed, amongst other factors, to the aberrant weather, physical controls on distribution, credit squeeze and hike in fertiliser prices. The vagaries of weather have been responsible for droughts and floods; physical controls at primary level came in the way of smooth and timely flow of fertilisers from producer to dealers and dealers to farmers; credit squeeze severely restricted the availability of distribution and production credits; and high prices have raised the cost of cultivation of the farmer who has to relate it to a commensurate increase in prices of end produce. This does not always happen—certainly not up to his expectation. There may be many other reasons too.

It has not been possible so far to quantify the impact of known causes on the offtake. Nevertheless, the fact remains that consumption has fallen in many States or in certain areas within a State. This downward trend in consumption is causing concern to the industry as well as to the planners as in the ultimate analysis it will tell upon the overall agricultural production. We must sustain the projected increase in fertiliser consumption to ensure that our agricultural production targets are achieved. The only acceptable deviation from the targeted consumption can be the marginal savings arising from adoption of both management practices which would result in a higher fertiliser use efficiency. To ensure this we must have a better assessment of the actual situation from which only can arise suitable remedial measures to get back on rails.

The correct assessment of the situation is important from another point also. It forms the basis of future demand estimates, domestic fertiliser production and import programmes for 1975–76.

FAI have initiated an exercise of identifying the causes and quantifying their impact on the offtake. Perhaps, the first round of 1975 Zonal Conferences this month would also provide some useful data. I would, however, welcome your observations on this aspect.

Yours truly

SATYA NAND.

[The statement of Mr. Leonard follows:]

STATEMENT OF RODNEY E. LEONARD, EXECUTIVE DIRECTOR, COMMUNITY NUTRITION INSTITUTE

I am Rodney E. Leonard, executive director of the Community Nutrition Institute of Washington, D.C. The Institute specializes in research, advocacy, information, training and technical assistance in the development, implementation and operation of food and nutrition programs, and in programs for the aging. We also participate in consumer oriented activities, particularly on food and nutrition topics.

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With me is Robert Greenstein, associate editor of CNI's Weekly Report, who is the Institute's food stamp policy analyst. We are here to testify on the needed revisions in the food stamp program.

I wish to commend this committee and the whole Congress for the prompt and decisive action earlier this month in forestalling the proposed increase in food stamp prices. The action sensibly maintains the food stamp program, avoids adding to recession and unemployment problems and allows Congress the time to consider structural and administrative issues.

One such structural issue is the need to reduce the cost of stamps which the poor are now required to pay, and one administrative issue is the need to assure that all applications for food stamps will be fully processed within 30 days of an applicant's initial contact with a food stamp office.

Studies in North Dakota in 1972 and in New York State in 1974 showed that the high price of food stamps was the major cause for nonparticipation in the food stamp program by eligible low income households in those areas.

Severe inflation, combined with an expanding recession, has made the problem of high food stamp prices more difficult in the past few years. Rent, heat, utilities and other fixed cost necessities are rising sharply, and poor families have less income than before to spend on food stamps. This is one of the likely reasons why participation in the food stamp and commodity distribution programs did not grow for three years, from December 1971 through September 1974, even though this was a period when the implementation of federal income eligibility standards for food stamps and the severe food price inflation combined to make millions of persons eligible for stamps for the first time. (The sharp increase in unemployment has added two million persons to the program in the last four months, but once the job market grows again, food stamp participation can be expected to decline.)

A decrease in the cost of food stamps would not only increase participation, but also would do for those who cannot pay taxes what the system of tax rebates and credits will do for those who can pay taxes. A modest decrease in food stamp prices will enable the poor, the aged, the unemployed and dependent to obtain a small amount of additional purchasing power.

We are grateful, therefore, that a large number of Senators have joined to sponsor S. 13, a bill which would set a 25 percent ceiling on net income as the maximum purchase price.

The proposed legislation would provide special relief to large families. The Committee has seen, I'm sure, the recent article on food stamp reform in the Washington Post by Jodie Allen (who was not identified in the Post as a paid consultant to USDA's food stamp division). Ms. Allen's article is generally a highly misleading argument for a standard deduction system, but it also makes the point that large families pay a larger proportion of their income for stamps than do smaller families, who generally have fewer other expenses. Without going into all the Allen/USDA arguments for a standard deduction, the 25 percent ceiling will solve the major inequity which now exists, and would focus welcome relief on large families.

S. 13 does not, however, do anything to help reduce the long waiting periods now being experienced in the program. In many areas, persons must wait one to three months for an appointment to apply; another month is consumed in waiting for the first stamps. It is fairly common now for new applicants to be told to come back in April or May. What are they supposed to do in the meantime?

We urge the committee to require a 30 day maximum on processing time from the date of an applicant's initial contact with the food stamp office. This may require the Committee, and the Congress, to establish minimum staffing patterns and staff training standards as a condition for federal administrative funds. It also may require the Committee to investigate administrative inadequacies, and to question current uses of administrative funds.

For example, there is reason to believe that the states are using the recently increased federal share of food stamp administrative costs to, in effect, finance other state programs that have nothing to do with food stamps. We have been told that some states are replacing state dollars originally budgeted for food stamp administration with the newly increased dollars of the federal share, an action which is contrary to the intent of this Committee when P.L. 97-347 was passed last year. We hope the Committee can amend S. 13 to deal with this problem.

We also urge the committee to delete several other provisions now contained in S. 13, particularly the provision dealing with public assistance withholding. S. 13 would repeal an amendment contained in P.L. 93-86, and scheduled to go into

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·ffect July 1, 1975, that would require states to offer public assistance recipient he option of having their food stamp purchase price deducted from their as istance payment each month, and then having their food stamps sent in the mail

We think that the public assistance withholding amendment in P.L. 93-8(vas wise. Public assistance withholding allows assistance recipients to purchas(ood stamps without having to gather a large amount of cash and travel to th(ood stamp office each month to make a purchase. This feature is especiall mportant in rural areas where food stamp offices may be a good distance away

The State of West Virginia, for example, has been offering the withholdin ›ption for years, and contends it is one of the major strengths of its program)onald Roberts, the state's food stamp director, has informed us that withholdin s costing his state only 45 cents a transaction as compared to a 70 cent cost if th ransaction is completed through a bank. It costs the state $1.40 a transaction i ood stamps are sold at a local food stamp office. Roberts says withholding ha ›een very helpful to rural residents since public transportation does not exist ir nost rural areas. He reports that when state welfare covered the aged, blind, anc lisabled, West Virginia offered the withholding option to these people and 15,00C ›f them participated in the food stamp program. Now that the Supplemental ›ecurity Income program has replaced public assistance, and withholding is nc onger possible, the number of aged, blind, and disabled using food stamps ha lropped to about 12,000.

A 1972 pilot study on public assistance withholding in several California coun- ies found substantially the same results as in West Virginia. Here, again, publi(ssistance withholding proved the least expensive way of issuing food stamps This pilot study also found fears of theft of food stamps sent through the mail t(e largely unfounded, even in urban areas like Los Angeles. In the aftermath o he pilot study, use of public assistance withholding has now spread to nearl alf of California's counties.

The principal arguments against withholding have been advanced by stat(elfare officials who feel the process would be administratively difficult anc ostly. The experiences in West Virginia and California indicate that withholdin actually less costly per transaction, and that the program can be effectivel dministered without great trouble. In addition, it is difficult to accept the cos rgument when states appear to be replacing state administrative dollars wit ederal dollars to administer the program.

There is another argument for maintaining the option. An energy audit woulc how the withholding option to be far less costly than requiring families to indi idually drive or engage transportation from their home to the food stamp office r bank.

We also disagree with the provision of S. 13 to make all SSI recipients auto- atically eligible for food stamps. This provision would not affect anyone in 4 tates where SSI recipients are now eligible for food stamps. But it would mak(major change in the five states where food stamps have been "cashed out." In California, Massachusetts, Nevada, New York and Wisconsin, SSI recipients urrently receive $10 a month as a food stamp "cash-out" payment, and are thus eligible for stamps.

S. 13 would give these individuals both the $10 cash-out and food stamps, and hen the Congress is faced with the dilemma of either taking away the $10 from eople in five states or extending the feature to all other states.

If the $10 were taken away, which is certainly the likely prospect, then about ne million aged, blind or disabled persons would be affected. We would estimate hat less than half would join the food stamp program, based on experiences in ther states. This means that more than 500,000 persons would lose $10 a month, nd get nothing in return.

Moreover, this provision in S. 13 would move federal benefit programs in the rong direction—from administrative simplification to administrative com- lexity by requiring SSI recipients in these 5 states to be processed through two rograms instead of one.

We therefore think the Committee should make the present SSI/food stamp rrangements permanent. This way, every state would have either food stamp ligibility or cash-out payments for its SSI recipients. This arrangement is a fair nd equitable solution.

Let me conclude my testimony with these few and final comments. We urge he Committee to give favorable consideration to S. 13, with the additions and eletions we have cited. Two other provisions in S. 13 are sensible and useful. It akes sense to repeal the current provision of food stamp law which requires

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that the dollar value of in-kind housing provided by an employer to an employee be counted as income. Food stamp officials are not equipped to estimate the value of housing, or to determine whether or not such housing is substandard. USDA is also recommending that this provision be repealed.

It also makes sense to allow food stamp recipients of any age who are physically unable to leave their home—because of illness or injury—to pay for meals from non-profit meals-on-wheels organizations with food stamps. S. 13 includes such a provision.

Thank you for your attention. We will be happy to answer any questions you may wish to ask.

FOOD STAMP MYTHS

We would also like to discuss briefly what we consider to be a few fictions about the food stamp program—the myth that families with high incomes receive stamps and the myth that many communes get food stamps.

It has been stated in recent weeks by several Members of Congress that families of four with $10,000 income get stamps. This is basically incorrect. The income limit for families of four is now about $6,150 a year. For a family with $10,000 income to get stamps it would have to have enormous medical expenses, enormous expenses due to losses from a tornado or a flood, or something of this sort. USDA's own data shows, as a result, that families of four with $10,000 income who get food stamps are virtually non-existent.

USDA data contained in a recent report of the Subcommittee on Fiscal Policy of the Joint Economic Committee shows that only 3.2% of all food stamp households have take-home income (before food stamp deductions) of $600 a month or more, and USDA's food stamp profiles show that most food stamp households at this income level contain nine or more persons and are therefore poor.

The simple fact is that very few households—regardless of the number of persons they contain—participate in the food stamp program when their take-home pay surpasses $500 a month. This is in part because such households would have to pay out very large chunks of cash to get back only a slightly larger amount of food stamps. A household of four at this income level must pay $130 for $154 in stamps, and consequently very few households at these income levels bother to enroll in the program. It is notable that from early 1972 to September 1974, food stamp income limits rose from $4,320 a year to $6,000 a year, but the number of persons in the food stamp and commodity programs remained unchanged.

As for participation in the food stamp program by students living away from home and by communes, the Subcommittee on Fiscal Policy report also says that nearly 99 percent of those getting food stamps are related to the head of their food stamp household, and that only 1 percent of food stamp households have any unrelated members. Most of this 1%, in addition, appears to be unrelated poor people who share accommodations. The large numbers of students living away from home and communes getting food stamps turn out not to exist.

Moreover, this data was collected prior to passage of legislation that eliminated from the program students who are claimed as tax dependents by households not receiving food stamps or welfare. This will reduce the number of students in the program even further.

A final myth we would like to discuss is the allegation that the food stamp program is out of control. A favorite ploy of food stamp opponents is to cite the increases in food stamp costs and participation in the past few years, while neglecting to explain that most of the increase in participation is merely due to persons switching from the old commodity program. As we have mentioned above, the number of persons in these programs did not grow from late 1971 until a few months ago, even though millions of new persons became eligible during this period. Growth before 1971 was due mainly to the introduction of the food stamp program into counties that never had any program. Growth in the past few months appears due entirely to the skyrocketing numbers of unemployed and to the introduction of the food stamp program to Puerto Rico.

As for costs, the increase in the costs of the food stamp program over the past three years is due entirely to two factors: 1) The transfer of persons from the commodity to the food stamp program (with a corresponding decrease in the cost of the commodity program) and 2) food price inflation, which has caused food stamp benefits to go up. If the Administration and the Congress could find ways to decrease unemployment and bring down the inflation rate, the cost of the food stamp program would level off. It is now the state of the economy, and not any aspects of the food stamp program, that is causing virtually all of the increase in the cost of the program.

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As a final note, we would like to call the Committee's attention to the need t act very quickly to extend those child nutrition programs scheduled to expire c June 30. This is particularly true because there will be no summer food progra: for poor children this summer unless program sponsors can begin to plan for tl program in the very near future.

In past years, USDA has issued regulations for the summer program in Februai and the program has been set up in March and early April. This year, USD says it will issue no regulations or applications because the program expir June 30. Unless Congress moves quickly, nearly two million poor children will g without food and recreation programs this summer, and farmers whose produc are used in this program will be left with a surplus of goods.

The CHAIRMAN. There being no further witnesses, the committe will now recess until 10 a.m. tomorrow.

[Whereupon, at 5:05 p.m., the committee adjourned, to reconver at 10 a.m., Wednesday, February 18, 1975.]

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

WEDNESDAY, FEBRUARY 19, 1975

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 324, Russell Senate Office Building, Hon. Herman E. Talmadge, chairman of the committee, presiding.

Present: Senators Talmadge, Allen, Clark, Dole, Young, Bellmon, and Helms.

STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM THE STATE OF GEORGIA—Resumed

The CHAIRMAN. The committee will please be in order.

The first witness this morning is Mr. Van Vleck of Plymouth, Calif., president, and C. W. McMillan, executive vice president, American National Cattlemen's Association.

We are delighted to have you gentlemen. You may proceed. Unfortunately, because of the vast number of witnesses requested to be heard, we have put a limitation of time of 10 minutes. You may insert your statement in full in the record and summarize it, if you will.

STATEMENT OF GORDON VAN VLECK, PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION, PLYMOUTH, CALIF.

Mr. VAN VLECK. Thank you very much, Senator.

My name is Gordon Van Vleck. I own and operate a cattle ranch at Plymouth, Calif. I am president of the American National Cattlemen's Association, and we indeed appreciate this opportunity to appear before you today to discuss the current problems of the cattle industry.

Let me first make one brief statement concerning what the cattle industry does not seek from the Federal Government. Cattlemen ask for minimum interference, minimum intervention—and the right to operate in a free market system. As I will explain, this is in the best interest of the public as well as cattlemen.

I need not remind you that our industry is in critical financial straits, and the end is not in sight. As a result of supply/demand and cost/price imbalances, cattle feeders have sustained losses of up to $100 or more per head for the past year and a half. And the cow/calf and stock operators who produce feeder cattle and nonfed beef are losing as much as $50 to $100 per head.

We estimate that, during the past year, the entire beef cattle industry sustained operating losses of $5 billion. Furthermore, because of

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depressed cattle prices, the value of the Nation's cattle inventory—as reported by the U.S. Department of Agriculture—dropped from $41 billion on January 1, 1974, to $21 billion on January 1, 1975. That represents a decline of $20 billion, or 48 percent in a single year.

The CHAIRMAN. That does not indicate the decline in inventory value, does it?

Mr. VAN VLECK. No.

The CHAIRMAN. What would that be?

Mr. VAN VLECK. As reported by the U.S. Department of Agriculture, it dropped from $41 billion on January 1, 1974, to $21 billion on January 1, 1975.

The CHAIRMAN. You are talking about a $25 billion loss in 1 year?

Mr. VAN VLECK. Yes. That decline in the inventory represents a 48-percent decline in a single year.

Some of the current problems we are faced with are a direct result of certain Government policies and actions that interfered drastically with normal planning and operation of the market system.

Unfortunately, it appears that, even under the best of circumstances, the cattle industry faces severe financial problems for at least this year and perhaps longer. Obviously, many cattlemen—small and large—are being and will be forced out of the beef business. Even the most able operators will survive only if they have other sources of income or if they have adequate equity or can obtain the financing needed to carry them through the current difficult period.

As you probably are aware, the cattle industry is the largest segment of American agriculture—with cash receipts of $22.1 billion in 1973, or more than a fourth of all receipts from farm marketings. Some 1.9 million full- and part-time operators are involved in cattle production and feeding.

I mention all of these figures not only to remind you of the importance of the cattle business to hundreds of thousands of individual producers and their families, but also to point out the effect of a cattle industry depression on the rest of our economy. For example, 2 million persons have jobs involved in supplying livestock and crop producers; the cattle industry purchased more than a fourth of all feed grains used domestically last year; and farmers and ranchers purchase 25 percent of the Nation's truck output. Each dollar out of the industry's $22 billion annual sales directly generates an additional $5 to $6 in business activity in the supply and processing industries.

For years, consumers have spent an average of 2.4 to 2.7 percent of their disposable income for beef. Though demand for our product remains good, it is not great enough to move our significantly increased production at prices high enough to cover today's extremely inflated costs of production. Right now, consumers are benefiting from low cattle prices. Our own surveys show retail beef prices averaging 36 cents per pound lower than a year ago, and the consumer price index confirms our findings. As a matter of fact, meat is the only category in the consumer index which is lower than a year ago. Our best judgment is that retail prices will remain low through 1975 because of large beef supplies.

The current industry loss situation ultimately will result in a per capita supply reduction on sufficient cattle prices to cover our costs. In a basic supply/demand business like the cattle business, these

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kinds of adjustments always have taken place, and always will, unless we go to a system of Government controls and costly subsidies. I need not remind you that nations which have gone this route wind up with reduced productivity and much higher food costs to the consumer.

One of the difficulties for the beef cattle industry is that our cattle prices are determined largely by supply/demand situations within the United States, while our feed, fertilizer, and other costs in recent times have been determined largely by world markets.

In order to consider more intelligently possible solutions to our problems, I will briefly review some of the causes of the current cost/price imbalance, with particular reference to causes in the governmental area.

First, we should acknowledge that the beef cattle industry—as a result of the collective expansion decisions of hundreds of thousands of individual cattlemen—has been moving in recent years toward the present oversupply problem. In fact, there is a world oversupply problem. However, our supply/price problems were greatly accelerated and compounded by a sudden and unprecedented doubling of feed, fertilizer, and other production costs.

Under any circumstance, the competitive market system of the cattle industry involves price, weather, and other risks not found in the nonagricultural parts of our economy. However, some of the current problems are a direct result of certain Government policies and actions which interfered drastically with normal planning and operation of our market system:

1. For years, a policy of subsidized, cheap grain encouraged expansion of livestock production. Huge stocks of Government held grain in storage aided in keeping grain prices cheap. Then suddenly, changed world demand and export situations—in addition to an unexpectedly short crop—contributed to a devastating runup in grain prices. The adverse feeding economics led to a sharp reduction in cattle feeding; and, with reduced demand for feeder cattle, feeder cattle prices plunged to levels only one half to one third what they were a year earlier. The old adage, "cheap feed means cheap cattle" once again proved to be true.

2. Government deficits, fiscal policies, and price control actions were responsible for certain input shortages and cost inflation. What would normally be considered reasonably adequate slaughter cattle prices suddenly were far below the cost of production.

3. The 1973 beef price freeze distorted the entire beef production and marketing system, causing abnormal supply and price fluctuations for cattlemen and consumers. There no longer was the normal market price signaling system required for proper operation of a commodity business.

4. Legislative and administrative actions—actions often based on speculation rather than scientific judgment and evidence—have restricted or removed safety-proven, cost-reducing technological tools, and have adversely affected production systems. For example, the proposed banning of just two types of feed additives would reduce feeding efficiency and require almost 3 million additional acres of cropland to produce quality beef—land which otherwise could be used to produce additional feed or food.

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5. Government regulations have impaired the efficiency of beef transportation and distribution. This has been at least one cause of increased wholesale/retail costs and margins, and reductions in the producer's share of the available retail meat dollar.

The foregoing causes of our present problems were among the factors considered by our members as we met recently in annual convention to establish positions on current public issues affecting our industry. In spite of all of our problems, our fundamental position is one of minimum Government interference with our production and marketing systems. In other words, we want as little Government as possible in our business, and this is for the long-term benefit of the public as well as our industry.

Following are some of our positions on certain public issues, which are a concern to this committee. No. 1: We are opposed to proposed target price and subsidy concepts for the beef cattle industry. In addition to burdening the Government and taxpayers with additional costs, such action would prolong our adjustment period and could lead to Government production controls and higher direct taxes to consumers.

No. 2: We are unalterably opposed to undue Government interference with the free market system, and particularly to the imposition of price controls. There are only two ways to reduce or control food costs over the longer term. One is to maintain policies which prevent inflation from constantly increasing food production, processing, and distribution costs.

The other is improved productivity as a means to maintain or increase food supplies. However, supplies will be sharply reduced if producers are told there is a limit on the price they can receive.

Reimposition of controls on beef now, when cattle prices already are at loss levels, would guarantee future meat shortages and eventually much higher prices.

No. 3: Believing in the competitive market system for all segments of agriculture, we are opposed to Government-controlled grain reserves. In the past Government grain reserves weighed on the market and were used periodically to depress prices, distorting the total agricultural economy, and in large measure creating the current economic crisis in the beef cattle industry.

The previous grain surplus and cheap feed policy encouraged what now is seen as overexpansion of feedlots and total cattle numbers. When the surplus suddenly was disposed of, feed costs doubled, and the entire livestock industry sustained losses affecting the total economy.

Abnormally cheap grain means abnormally cheap cattle. It is our view that the total food economy should operate in markets as free of Government interference as possible. Any feed grain reserves should be only in private hands, preferably at the farm level.

No. 4: A major cause of inflation is Government. Government should pursue policies which minimize the effects of inflation on our production as well as our living costs.

No. 5: Except for meat prices, which actually declined during the past year, retail food prices are up while farm prices, particularly on beef cattle, have declined in many instances. This is because of increased costs and margins in the off-farm sector. USDA says that 80

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percent of the overall 1974 food price increase was caused by higher processing, distribution, and retailing margins. Food industry profits increased slightly as a percentage of the food dollar, but by far most of the increases have been caused by higher packaging, energy, interest, freight, and labor costs.

To offset these increases, efficiency and productivity must be improved, and Government regulations and other barriers to efficiency must be changed or removed. ANCA supports an impartial investigation of factors contributing to the wholesale-retail price spread, with the intent of eliminating inefficiencies and inequities.

No. 6: With changes in production methods and in consumer desires, changes in beef grading standards have become necessary, and ANCA supports the changes proposed by USDA. These changes can help reduce the general fatness of beef, resulting in leaner, more desirable, more protein-rich beef for consumers. The changes also help savings of literally millions of tons of feed grain, and more economical beef production. They should be adopted immediately in the form they were proposed.

No. 7: The ANCA advocates reciprocal international trade in beef as well as other commodities. However, at this time, other nations' trade barriers make it virtually impossible to export U.S. beef. Barriers imposed by other importing nations hinder exporting nations who are reliant upon foreign markets. The Meat Import Act of 1964 incorporates the concept of reasonable market sharing and stabilization.

Therefore, ANCA asks that every effort be made to insure application of the law as originally written. Also, if the unfair trade conditions imposed by other nations continue, and cause irreparable harm to the U.S. domestic cattle industry, embargoes should be imposed on imports into the United States, and should be continued as long as those unfair conditions persist.

No. 8: The United States continues to export significant amounts of feed grains. The public would benefit from export of some of this grain in the form of processed meat, a higher value product which would foster more use of U.S. facilities and labor, and which would improve the balance of payments. Therefore, ANCA encourages joint industry and Government efforts to eliminate present trade barriers and develop overseas markets for U.S.-fed beef.

No. 9: There is a world shortage of food, including quality protein food, and the United States has been asked to help meet the food needs. However, grain is in short supply, and continued shipment of grain overseas creates domestic supply and price problems. Beef, on the other hand, is in surplus supply. Furthermore, the types of cattle in greatest surplus in the United States are produced on grass, without use of grain.

The CHAIRMAN. Does any other nation of the world, except the United States, feed a large portion of its beef?

Mr. VAN VLECK. No.

The CHAIRMAN. Ours is the only——

Mr. McMILLAN. Maybe Canada.

Mr. VAN VLECK. Not to the extent that we do.

The CHAIRMAN. Thank you.

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Mr. VAN VLECK. Therefore, ANCA supports proposals which have been made to can surplus nonfed beef and include this valuable protein food in food distribution programs for the needy and hungry overseas and in the United States.

No. 10: Recognizing the need for increased beef research, education, and promotion, ANCA endorses a proposed market development program which has been formulated by an industrywide task force. Under this self-help plan, funds would be generated by the industry itself, through a uniform collection system.

The program will require enabling legislation and then a referendum among all cattle producers. Collections of funds would be on a voluntary basis. The program would be administered by a national beef board, appointed by the Secretary of Agriculture.

Consumers as well as the cattle industry would benefit from resulting research and development of improved beef products, from more efficient production, and from nutritional and other education. We are pleased that you and Senator Dole have authored this bill and introduced it to your colleagues. The bill will be introduced tomorrow. We hope that this legislation will receive favorable support.

We hope these remarks today will be helpful to you, and I will be happy to answer any questions you may have.

The CHAIRMAN. Thank you very much. I thank you for an excellent statement. I am an old cattleman myself. I used to have beef cattle and dairy. When I got to the Senate, I realized you could not do either 1,000 miles away.

I agree with every one of your proposals here. I do not find one that I am in disagreement with. I hope that the Congress will act on your plan where you can try to through your own efforts, market and promote your product better.

We know that beef and red meat is one of the finest foods in the world. I hope the problems of the livestock industry will correct themselves before all of you go broke. I agree with you that the Government has a great deal to do with the plight of the livestock industry at the present time.

Thank you very much. We appreciate your appearance.

Senator Dole has a statement.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS—Resumed

Senator DOLE. Last week, cattle prices hit a 2-year low. We saw choice finished steers selling for 33.9 cents per pound. When it costs more than 50 cents a pound to put gain on these cattle, the financial loss is disastrous.

Cattle feeders have been facing depression level prices for nearly 17 months now since the market crashed in September 1973 following the beef price freeze. The low prices for finished cattle have now backed up to those farmers and ranchers with cow-calf operations and background feeding operations.

FACE BANKRUPTCY

The disastrous conditions in the livestock market have put some cattlemen into bankruptcy and has put thousands of others on the

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verge of it. Some consumer representatives may applaud low cattle prices as the best means to keep retail meat prices low; however, we have seen that while meat prices have declined to some extent, they have not been lowered nearly to the degree that live cattle prices have declined. So the disastrous price levels in the cattle industry have not greatly benefited consumers. I am concerned that continued low prices in the cattle industry will be disastrous not only for cattlemen, but for consumers as well.

REAL THREAT TO CONSUMER

If a substantial part of the livestock industry is forced out of business, one result becomes certain. There will be more expense for consumers to get beef production back to an adequate level.

It takes approximately 4 years from the time a rancher decides to hold heifers back from the market for breeding to the time a finished steer is brought to the market for slaughter. If a substantial part of the livestock industry is forced into bankruptcy, a sharply lower supply of cattle is bound to result. Consumers could then expect a shortage of meat for several years following before the cattle industry could again reach a sufficient level of production. A shortage would mean high prices for cattle and even higher meat prices for consumers. So I believe very strongly that representatives of consumers and cattlemen alike have a common goal in improving conditions in the livestock industry. I believe we should work together to do everything possible to reverse the declining trend in livestock prices.

DECLINING NUMBERS

It is hard to imagine that conditions in the livestock market could hit a much lower note. Last year the number of feedlots declined by over 8,000. The number of feedlots in this decline is not in itself too significant since feedlots have been declining by about this amount for the past 10 years. What is significant is that a large number of those feedlots going out of business have been forced out by bankruptcy or by unfavorable economic conditions.

The recent report of "Cattle On Feed" released by the Department of Agriculture on January 20 indicates that cattle on feed in the 23 major livestock producing States are down 26 percent from the same period in 1974. American consumers are accustomed to eating choice corn-fed beef. Obviously, with placements in feedlots down by this number, consumers are bound to see a lower quantity of choice beef on the counter. Clearly, consumer representatives have a real interest in joining farm representatives in working to improve conditions in the livestock industry.

MARKET DEVELOPMENT

One solution that has been suggested for reducing the problem has been market development. The chairman of this committee and I will introduce legislation tomorrow to authorize a national checkoff of funds for market development, the Beef Research and Consumer Information Act. These funds would come from the sales of cattle by producers and not from taxpayers' funds or any type of Federal subsidy.

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I believe that this type of program is the best example of bootstrap operation. It would be a case of producers helping themselves by working in a united manner to improve the market. We are working with the various livestock and trade groups on this legislation and hopefully we can move quickly in the Congress to enact it.

Mr. Chairman, I would like to insert a summary of this legislation in the record.

In the past, this type of program has met with a great deal of success in the wheat and grain industries. Our export markets represent a very important part of those industries. Agricultural exports have also become a very beneficial part of the national economy. They have helped to improve our trade balance tremendously and have strengthened the overall health of the economy. I am hopeful that a market development organization for beef will be beneficial in expanding our foreign markets for American beef as well as improving market conditions here at home.

A year or so ago, Secretary Butz dramatically emphasized that our wheat exports were paying for our oil imports. With the greatly increased cost of that imported oil, our sale of agricultural exports is even more important. Yesterday we heard witnesses say we should subordinate our commercial export efforts to a priority for food aid. I hope Secretary Butz will discuss these topics with us when he testifies in these hearings tomorrow.

IMPORT AGREEMENTS INADEQUATE

A matter of very great concern to many cattlemen has been the high level of meat imports into this country. The estimate of 1.15 billion pounds of meat imports for the calendar year 1975 represents a real sore point for the industry as a whole. It is very hard to understand why we continue to permit over 1 billion pounds of meat imports when our own industry is suffering as it is with steers at less than 35 cents.

Even though imports for 1975 are estimated to be slightly lower than trigger level for import quotas, I am concerned that voluntary agreements are totally inadequate to insure that meat imports do not raise to even greater levels. I am greatly concerned that if any improvement should begin to occur in the American livestock market, we will be faced with an immediate deluge of foreign meat imports.

UNITED STATES IS ONLY OPEN MARKET

A recent article in the USDA publication "Foreign Agriculture" indicates that numbers of cattle in all major livestock-producing countries have continued to rise to unusually high levels. At the same time, the United States remains the only major importing market that remains open to beef imports. For example, Australia has huge potential supplies of beef. Australian producers have been holding cattle off the market because of depressed prices and an adequate supply of grass to carry cattle over. But those cattle must come to market eventually. They cannot be held indefinitely, and when they do come to market, the United States is the only major market open. The result is that our market would be further depressed. And U.S. cattlemen would suffer even more.

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Voluntary import agreements are inadequate to prevent this deluge of imported meat. I worked continuously last year to obtain a reduction in meat imports and Congress must move this year to insure a lower level of meat imports until the American livestock industry has had an opportunity to recover.

Mr. Chairman, the livestock industry is clearly in the worst situation it has been in for many years, and perhaps the worst it has ever been in. Consumers have a very real stake in maintaining favorable conditions in the livestock industry, and I hope those of us representing agricultural States in the Congress can work closely with those representing urban centers to do everything possible to improve conditions in the livestock industry.

Hog and pig producers and broiler and laying hen producers are also having their problems. We need to carefully evaluate the entire livestock and poultry industries in these hearings and to assist them in ways that will stimulate their success, not just patch their wounds until the next crisis.

Summary—Beef Research and Consumer Information Act

PURPOSE

To enable cattle producers to establish, finance, and carry out a coordinated program of research, producer and consumer education, and promotion to improve, maintain, and develop markets for cattle, beef and beef products, and *to provide an adequate, steady supply of high quality beef and beef products readily available to the consumers of the Nation at reasonable prices.*

ENACTMENT

Following passage of this legislation, the Secretary of Agriculture will conduct extensive hearings and research to determine how the producers desire to proceed in this program. He will utilize the information gained to write and publish research and promotion orders which must be approved, in turn, by the producers in a nationwide referendum.

When the published orders are approved in the referendum (two-thirds approval), the Secretary would proceed to issue the orders, enabling the formation and operation of The Beef Board. Additional referendums may be announced at any time ten percent or more of those voting in an order referendum request it.

FUNDING

Funds for operation of the act will be collected from the producers, being deducted from their sale receipts and passed on and collected on added value through the subsequent sales of the animal, with the slaughter house operator submitting the actual funds to The Beef Board. The first year the assessment will be .3 percent of the price of cattle sold. After the first year, The Beef Board will set the rate between .1 percent and .5 percent, and this rate must be approved by the Secretary of Agriculture. A rate over .5 percent can be imposed only through a referendum approval.

Membership of the Board will be sixty-eight cattle producers representing eligible cattle producer organizations. They will be representative of the number of cattle produced in geographic areas of the Nation, and serve six-year staggered terms.

REFUND

Any producer may request refund of assessed funds from the sale of his cattle within thirty days after the sale, and The Beef Board must make that refund within sixty days.

The Chairman. The committee is honored indeed to have a distinguished colleague, the Senator from Oklahoma, who is very knowledgeable about all phases of farming.

Would you have a seat and proceed, Senator?

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STATEMENT OF HON. DEWEY F. BARTLETT, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BARTLETT. Thank you very much. I appreciate you giving me this opportunity. I appreciate your compliment about the knowledge in agriculture.

The CHAIRMAN. I would not limit it to agriculture exclusively.

Senator BARTLETT. I know how to buy cattle high and sell it low. That is my main ability.

I know you have a number of witnesses to appear today. If I may take the liberty to discuss the livestock predicament and a bill that I have introduced which will not be in this committee, as I understand it, but it is in the Finance Committee because it does cover the import matter, but I know it is of great interest to the members of this committee.

Senator DOLE. We are both on the Finance Committee.

The CHAIRMAN. As you know, we passed an import bill, and it gave the present authority to suspend. President Nixon suspended it.

Senator BARTLETT. Mr. Chairman, to say that the livestock producers in this country are close to financial ruin, is, as you know, an understatement.

The CHAIRMAN. If you would yield at that point, the president of the American Cattlemen's Association just testified operating losses last year were $5 billion and inventory losses were $20 billion. Total losses $25 billion, and 48 percent of inventory value in 1 year.

Senator BARTLETT. Now, I know why my cattle operation is not doing too well.

In making this observation, I am reminded of the story that a rancher friend of mine told me about the nature of the cattle business today. For many years, as part of his daily routine, he would get up early, eat breakfast, check the fences, and count his cattle to make sure that none of them had strayed out during the night. According to my friend, his schedule is pretty much the same today as it has always been, except that now he gets up early, eats breakfast, checks the fences, and counts his stock to make sure that there are not more cattle in his pasture than were there the night before.

The U.S. beef cattle industry is the largest segment of American agriculture. Sales of cattle and calves in 1973 totaled $22.1 billion. This figure represents more than one-fourth of all cash receipts from farm marketings, and cattle sales accounted for almost half of farmer's sales of all livestock and livestock products.

Not only is the beef cattle business the largest segment of agriculture: It is large in relations to major manufacturing industries like steel mills, with annual sales of $35.2 billion, and motor vehicles, with sales of $77.2 billion. I give this comparison only to demonstrate the importance of the beef industry to the national economy and to underscore the proposition that economic crisis for cattle producers cannot help but effect the overall economic health of this country. Such a comparison, of course, does not even begin to include the total scope of economic activity generated by cattlemen as consumers of other manufactured and raw materials or the ultimate nutritional needs of consumers of beef and beef products.

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Statistics furnished by the USDA indicate that while total beef production is up (by some 7 million head in the last 18 months) the total value of cattle and calves has dropped by some 50 percent. In January of 1974, the average value per head of cattle in this country was $321. By January of 1975, the average value had dropped to $158 per head. Total value of all cattle and calves in the United States in 1974 was approximately $40.9 billion compared with a value of $20.9 billion in January of 1975. Oklahoma cattlemen saw the value of their cattle drop from $1.7 billion to $845 million.

One matter of immediate concern to me is the level of foreign beef imports allowed in under the Meat Import Act of 1964. This act was drafted in such a manner as to allow imports from other countries, primarily grass-fed beef straight from the range, to be increased in proportion to domestic production. This approach to beef imports has been counterproductive and has further complicated an already difficult situation. It makes little sense to me to allow a greater amount of imported beef into the country at a time when there is already a domestic surplus.

Although the levels of beef imports in 1974 were under the so-called triggering point of the Meat Import Act, it must be remembered that domestic prices were so low that an attractive market did not exist. There are excessive numbers of cattle in exporting countries which ultimately will have to be marketed, and at present, the United States is the only major importing country with its borders open to imports. With no other markets open, there remains the possibility that surplus foreign beef supplies eventually will be disposed of in the United States, further endangering the domestic livestock economy and long term dependable supplies of beef for consumers.

I have introduced legislation which seeks to amend the Meat Import Law in three important ways: First, the maximum amount of beef imports in any one year would be limited to a total not to exceed 750 million pounds. This is approximately 430 million pounds below the level allowed today and represents an initial decrease of some 36 percent. Second, it removes the President's authority to suspend meat import restrictions. Third, and perhaps most significant, future import adjustments would be based on the percentage of domestic grain-fed beef slaughtered in comparison with total beef slaughter. If the percentage of domestic grain-fed slaughter decreases in comparison to total slaughter, foreign beef imports would be further reduced on a formula basis. Under present conditions, foreign beef imports would be reduced by as much as 50 percent. This approach seems to me to be a reasonable alternative to the present system or to plans calling for a total beef embargo. As grain-fed beef slaughter increases, foreign grass-fed beef imports could rise. Conversely, if the level of domestic grass-fed beef slaughter increases, foreign grass-fed imports would decrease.

Although I realize that the Meat Import Law is within the jurisdiction of the Finance Committee, I am hopeful that the members of this committee will join with me in support of this bill. I am certain that time is of the essence in this matter and prompt action by the Congress is important to the future well-being of the cattle industry.

Mr. Chairman, I know that this proposal will not solve all the problems facing the American cattle industry. I do, however, think it is

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an important step in the right direction. It would help to provide cattlemen with a decent return on their investment and it would aid consumers by insuring that adequate supplies of domestic beef products will be available in the future.

The CHAIRMAN. Thank you for an excellent statement. As you know, the American livestock industry has opposed this self-help program that would authorize them to have a beef board and by referendum check off funds from people who sell beef cattle.

Do you support that?

Senator BARTLETT. Yes.

The CHAIRMAN. We would be delighted to have you cosponsor it. We have done it with many other programs with no cost to the Government because the livestock producers would bear the cost thereof.

Any questions, Senator Dole?

Senator DOLE. No. Thank you very much.

The CHAIRMAN. We are delighted to have you before us.

Senator BARTLETT. I would be delighted to be a cosponsor of that. Thank you very much.

The CHAIRMAN. The next witness is Mr. Don F. Magdanz, executive secretary-treasurer, National Livestock Feeders Association, Omaha, Nebr.

We are delighted to have you before our committee again, sir. You may insert your full statement in the record and summarize it in the interest of time.

STATEMENT OF DON F. MAGDANZ, EXECUTIVE VICE PRESIDENT, NATIONAL LIVESTOCK FEEDERS ASSOCIATION, OMAHA, NEBR.

Mr. MAGDANZ. I appreciate the opportunity to appear before your committee. Frankly, it is always a pleasant experience, and I will abide by your rules, which frankly I appreciate.

While our statement is not long, it would be too long for me to go through it in its entirety. I have tried to prepare it in a slightly different form than we usually do. It is in outline form, which we hope will be helpful to the committee.

First, I do want to say that it is in two parts, the first part dealing with the farm programs as we generally know them, and the second part dealing with circumstances in the livestock industry. We do point out some changes in agriculture, some profound changes that have occurred in the past couple of years since the last agricultural act was passed. There is no need to review them because you covered them very ably in your opening statement.

I would just like to say that we feel the objective of a farm program is to provide some stability in the marketplace for feed grains and other crops; to insulate against disastrous prices in cases of production significantly in excess of demand, usage, and disappearance; to provide farmers with greater freedom to make production and marketing decisions; and to reduce Government influence in the farm commodity market place. We do point out that since its inception we have supported the target price system that has been used now, I think, since 1970. We feel that it is much better than the other program for feed grains that we had prior to that time.

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We think that there is some justification for raising the support price on feed grains. Today $1.38 for corn is too low in our present economic condition. We support a target price that is somewhere near the cost of production, saying that it should not overstimulate production.

The CHAIRMAN. What do you think the loan level ought to be?

Mr. MAGDANZ. Probably in the neighborhood of 70 to 75 percent of the target price. We checked with various experiment stations in the last few days to see what they are using as cost production figures for 1975. Regardless of the State involved, throughout the Midwest we find them remarkably close, ranging from $1.82 to $1.90 to $1.95.

The CHAIRMAN. How does that compare with the Southeast?

Mr. MAGDANZ. The Southeast I could not tell you about.

The CHAIRMAN. I think we have some reports from experiment stations. Please proceed, sir.

Mr. MAGDANZ. Therefore, we suggest a target price in the range of $1.75 to $2 per bushel, thinking perhaps we would rather stay closer to $1.75 than to go up as high as $2 a bushel. The price of grain, of course, seriously affects the livestock business. I think the cheap grain we had in the 1960's and early 1970's very definitely triggered an increase in cattle production, and, of course, it is well known today that we have more cattle than we can handle comfortably and at profitable prices.

Not so with hog numbers because the life cycle of the hog is much shorter, and producers can adjust their production much quicker.

The CHAIRMAN. How much is hog production down?

Mr. MAGDANZ. The numbers are down, I believe, 8 percent as of last December, but they have been going down some for quite a while, and of course cattle numbers have increased. Our statement in that section points out some of these increases.

Just a statement with respect to Government-held crop reserves—we take a dim view of Government-held crop reserves. We do feel if there are to be any crop reserves at all that they be held by farmers themselves, similar to the way they are being held now.

On export restraints, we cannot be very consistent if we support restraints on exports of grain and then turn around and be strongly in favor of no such restraints on cattle hides.

The CHAIRMAN. If you would yield at that point—I have a Government document that indicates breeding stock inventories for hogs is down 15 percent.

Mr. MAGDANZ. I am glad you produced that because my memory was a little bit hazy on that. I knew it was down, but I did not know it was down 15 percent.

The second part of our statement, Mr. Chairman, as I say deals with strictly livestock matters, and it sets up various facts with respect particularly to cattle because the cattle business is the segment of livestock—when we think of cattle, hogs, and lambs—that is really in trouble. Some producers have not suffered the same fate.

The CHAIRMAN. They can get out quicker?

Mr. MAGDANZ. They can get out quicker, and prices have been more stable, except for a couple months in the past. Despite the situation, the cattle industry is not camping on the doorstep of the Congress asking for handouts, price supports, and things of that sort, as you

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well know. We do feel that there are certain things that Congress needs to do that are essential to economic recovery of the business and a continuing successful operation of the production of food.

What has been brought to our attention is some form of payment assurance for livestock. I am sure you are well aware of the recent filing for bankruptcy under chapter 11 of the second or third largest beef slaughterer in the country, namely American Beef Packers in Omaha, leaving an amount owed to cattle feeders, principally, but some swine producers—leaving an amount owed of between $20 and $23 million.

Senator DOLE. What is the status of that now? Has General Electric credit made some move to extend the line of credit?

Mr. MAGDANZ. They have collected, as I understand it, much of their original revolving line of credit. However, it is true that they are supposed to advance some additional credit after they have reduced their volume, in order to open the plant in Oakland, Iowa. That plant was supposed to open under chapter 11 on Monday. It did not open on Monday. I am not sure that it opened yesterday. I do not know about today.

Senator DOLE. Do you have any late information on what hopes the farmer may have of recovering his money? I get a lot of calls from Kansas in the middle of the night. I guess they cannot sleep. I do not really blame them. They lost several thousand dollars.

Are the chances any brighter for recovery now than they were?

Mr. MAGDANZ. I have to answer that, Senator Dole, yes. I think the chances of recovery here are better than they appeared to be some time ago. I cannot pinpoint when they might get their money or whether they might get all of it. At least we are hopeful that there is going to be some recovery here before very long.

We have been working with the situation, frankly, since January 7, and have actually done little else except try to work out a plan whereby these people can recover their money.

Senator DOLE. It might be well, Mr. Chairman—and maybe the staff is already doing it—if they could get the latest information. It does involve a great number of people and a great deal of money.

The CHAIRMAN. We will get all the information we can.

Mr. MAGDANZ. There is somewhere between 400 and 500 people that are right now holding either unpaid checks or have not received checks at all, amounting to this total between $20 and $23 million unpaid accounts, that range frankly all the way from a few thousand dollars to as much as $1 million.

The CHAIRMAN. Are they in the feeding business, or just the slaughter business?

Mr. MAGDANZ. They did have a feedlot, and this has now been sold. They did lose heavily in the feeding operation. I think more prominently, they overexpanded too fast. Perhaps the single instance that pulled them under was the plant in Dumas, Tex. They started to build this plant at a cost of about $12 million, and it ended up costing $23½ million, and they had to use operating money to finish it.

This reduced the money that they had to pay for livestock. I think this is what really pulled them under.

Senator DOLE. They are trying to sell that now?

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Mr. MAGDANZ. They are trying to sell the Dumas plant. They are trying to sell the plant in Nebraska City. That would leave them a plant at Fort Morgan, Colo.

There is an Omaha plant. There is the Beefland International in Council Bluffs, Iowa, and a hog-slaughtering plant in Iowa. These other plants range from being reasonably profitable to very profitable. The two I mentioned are not so.

The CHAIRMAN. Any further questions, Senator Dole?

Senator DOLE. I am sorry to interrupt your statement on that. It is a matter of importance to a great number of people.

Mr. MAGDANZ. I know that it is. That is the reason I included it. I am trying not to be repetitious of what has been said before.

The CHAIRMAN. If you have another point you would like to develop?

Mr. MAGDANZ. If I could just take 1 minute—in the statement, we do recognize some various approaches to the solution of this problem so that it will not happen again.

The CHAIRMAN. You are talking about amendments to the Packers and Livestock Act?

Mr. MAGDANZ. Yes.

The CHAIRMAN. Some livestock owners visited me this morning interested in that, and I asked them to submit to the staff their recommendations so we can look into it, and hopefully during a later time during the year, we can consider it.

Mr. MAGDANZ. We will also be submitting something. We list nine possibilities. We do not mean to include all of those. We are going to make a selection from them.

The CHAIRMAN. Let us see if we can get unanimity among the livestock industry and support of the Department of Agriculture, and then submit it to our staff, so the committee can consider it at the appropriate time.

Mr. MAGDANZ. That would generally conclude my summary. There are a few other things that are in the statement.

The CHAIRMAN. Thank you for an excellent statement. We are all too painfully aware of the plight of the livestock industry. We regret to say that you are not alone in that sad situation at the present time.

Mr. MAGDANZ. We know of your concern and appreciate it. Thank you.

[The prepared statement of Mr. Magdanz follows:]

STATEMENT OF DON F. MAGDANZ, EXECUTIVE VICE PRESIDENT, NATIONAL LIVESTOCK FEEDERS ASSOCIATION, OMAHA, NEBR.

VIEWS AND COMMENTS TO IMPROVE FARM PROGRAMS

Speaking for the National Livestock Feeders Association, headquartered in Omaha, Nebr., I understand the purpose of these hearings is to discuss the merits of a number of contemplated changes in the existing farm program, namely, the Agriculture and Consumer Protection Act of 1973. In so doing; we are to recognize the factors that do exist, and to focus upon the impact these factors have on, and are creating, in the agricultural sector of the economy.

It is our further understanding that we can comment on, and propose with respect to, segments of agriculture other than crop production which are in great distress and, though not directly involved in programs encompassing feed grains and other crops, are, nevertheless, significantly affected by them.

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Changes in agriculture which have occurred in just two years, since the passage of the Act of 1973, are profound. There is no need to dwell upon them extensively, since they were covered very ably by the Chairman in his opening statement on February 3. Even so, I enumerate a few that are particularly significant to this discussion.

Agricultural production costs have skyrocketed, grossly increasing the need for capital, and necessitating higher return to cover these additional costs.

A very short feed grain crop in 1974 triggered prices well beyond cost of production, and allowed those producers who did enjoy a reasonable crop to reap good profits.

But a large crop in 1975 could bring drastic reductions in the price of feed grains, and such a prospect may already be having some effect.

Domestic demands for feed grains in 1975 are bound to be decreased as hog numbers are down, cattle feeding has been reduced, dairy herds are being cut back, and poultry people have been reducing their production.

The demand of foreign countries for our exports of feed grains and other crops appears to be waning.

The objective of a farm program, it seems to us, is to provide some stability in the market place for feed grains, and other crops; to insulate against disastrous prices in cases of production significantly in excess of demand, usage and disappearance; to provide farmers with greater freedom to make production and marketing decisions; and to reduce government influence in the farm commodity market place as well as reduce the farmer's dependence on government payments through increased returns from sales of farm products both at home and abroad.

The position of the National Livestock Feeders Association, ever since the idea was conceived and the approach promoted, has been to support the target price concept for feed grains.

The target price support, we hasten to add, should be at a level, though, that will not over-stimulate production nor force domestic production out of the world markets.

While there may be debate over the level of price support, in the opinion of the NLFA, that level should be at no more than average cost of production. The purpose of such a program, in our opinion, is protective, and should not be designed to guarantee cost of production plus a profit.

Assuming this position, and under existing circumstances, it is obvious that $1.38 for corn is too low and there is ample justification for increasing the support level.

Having checked with various experiment stations doing cost accounting summaries and projections, our recommendation is that the target price for corn be in the range of $1.75 to $2.00 per bushel for 1975.

A level at or near cost of production will still offer a degree of price protection to offset risks of over-production, would allow a grower to recover costs or nearly so, but should not over-stimulate production. Keep in mind the latter can be disastrous to feed grain producers and have an undesirable impact eventually on livestock production.

It must be recognized, though, that livestock provides a market for the large share of our feed grain production. Without this market, even though exports continued at a reasonable level, feed grain production would have to be cut back significantly or prices would assume substantially lower levels.

The livestock business—cattle feeding and hog production, as well as dairy and poultry production—must be considered in establishing target prices for feed grains.

Prices that are too high make cattle feeding and swine production unprofitable. Prices that are too low for any extended period tend to over-stimulate livestock production. The latter is not as pronounced today as it was 20 years ago, but is still a factor.

With little question, the low prices for feed grains that prevailed generally throughout the 1960's and into the early 1970's, were a factor in the over-expansion of cow herds and cattle production, as well as in cattle feeding.

Conversely, the increase in feed grain prices, spurred by low crop production in 1974, was at last a prominent factor in the more recent severe losses being taken by cattle feeders as well as producers. Swine producers are able to adjust production sooner because of the much shorter left cycle of the hog.

With respect to Government-held crop reserves, the National Livestock Feeders Association takes a dim view.

Substantial market distortion is inherent in such a system. In our opinion, the market simply cannot be insulated from the existence of such reserves.

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Our members do favor, however, that any reserve stocks be controlled by farmers under a reseal program similar to that in effect now, even though quantities of 1974 crops put under support loans was much less than a year earlier.

On export restraints, or licensing suggestions, we call attention to the fact that certain authority is now contained in the Export Administration Act to restrict the exportation of agricultural commodities, the production of which falls below domestic needs. In the judgment of the NLFA, this authority is sufficient.

It would seem most inconsistent to support export restraints on such products as feed grains and other crops while maintaining a firm position against controls on other products such as cattle hides.

In conclusion of the comments of the NLFA on target prices, government-held crop reserves and export restraints, it is our strong recommendation that support levels be raised, but we caution against increases that are of such extent and magnitude as to be of disservice to the livestock industry, to consumers, and even to feed grain producers themselves in the long run.

Additional Views and Comments

DISASTERS IN THE CATTLE INDUSTRY

Certain comments appear appropriate at this time with respect to the cattle industry even though not related directly to target prices, grain reserves, or export restraints on crops.

The cattle industry is still in a disastrous economic position with slaughter continuing at high levels, beef production at an unprecedented rate, and no substantial evidence of relief from these conditions foreseeable in the immediate future.

On Jan. 1, 1975, all cattle and calves in the U.S. totaled 131,836,000 head, 4.1 million or 3% above a year earlier. Cows and heifers that have calves were up 4%; Beef cows were up 6%; Heifers 500 lbs. and over were up 3%; Heifers for beef cow replacement were up 8%; Steers 500 lbs. and over, however, were down 8%.

Our feed production factory is still running in high gear and probably will be for another year or two.

Cattle on feed Jan. 1, 1975, in 23 states totaled 9,619,000 head, 26% below a year ago, and 31% below Jan. 1, 1973. The on-feed total is the lowest for Jan. 1 since 1965.

Fed cattle slaughter, however, is not down as much as on-feed figures would indicate because cattle have been going into lots at heavier weights and are being fed for shorter periods.

Yet, we are experiencing increased beef production, the increase coming from stepped-up slaughter of non-fed steers and heifers plus notable increases in slaughter of cows. Total commerical cattle slaughter in 1974 came to 36,777,000 head compared to 33,687,000 head in 1973.

Total beef production in 1974 came to 22.8 billion lbs. compared to 21.1 billion lbs. in 1973. Production amounted to 116.3 lbs. per capita in 1974 vs. 109.6 lbs. per capita in 1973.

Average price of Choice steers at Omaha was $38.28 per cwt. in the 4th quarter of 1974 and prices are at lower levels today. Feeder cattle prices range from $30 per cwt. down to nearly $20 per cwt. depending on quality and class.

Increased beef production is forecast for 1975 and could exceed 23.0 billion lbs. Prices of Choice steers could recover some in the near future as a result of lower fed beef production and some temporary slack off of non-fed slaughter by grass time.

Despite these critical situations under which losses are still being sustained cattle feeders and producers have not been camping on the doorstep of the Congress demanding price supports and price assistance. It is contrary to our policy.

We do feel justified, though, in calling on the Congress for certain measures that are considered essential to the economic recovery of the business and its continued successful operation in the production of food.

Assurances of payment for livestock by packer buyers is one of these measures. Some form of Government action will be necessary to establish these assurances.

The National Livestock Feeders Association has pursued amendments to Federal Laws for around ten years, which amendments were aimed at providing such assurances. However, we were unable to convince enough people that the action was necessary. A recent calamity in the midwest, which reached into at least seven states, should provide sufficient evidence of this need.

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On January 7, 1975, American Beef Packers, headquartered in Omaha, filed for bankruptcy under Chapter 11 of the Bankruptcy Act.

The 2nd or 3rd largest beef slaughterer in the country was suddenly out of the market. This absence of a large buyer has had a significant depressing impact on the live cattle market.

Several hundred cattle feeders and swine producers (the Company operated one hog slaughtering plant) are currently unpaid for livestock sold and delivered to American Beef Packers prior to January 7. The total amount of unpaid accounts to livestock feeders is $20 to $23 million.

Unless all, or a substantial part, of this money can be recovered for livestock feeders, at least some of them will be put out of business.

An official creditors committee of 11 persons has now been formalized and it includes 8 livestock operators. An effort is being made to reopen some of the 6 plants involved and to pay the creditors.

The National Livestock Feeders Association has been doing everything it can to recover the money due to livestock feeders. At the present time, it appears as though eventually they can be paid, but there is no certainty this will happen.

It is necessary that we take steps as quickly as possible to prevent a similar catastrophe in the future. Just as soon as we can complete some study and research, we will approach this Committee with a plan of action. I express the hope it can be favorably received.

At the 30th Annual Convention of this Association held in Dallas, Texas, on February 5, 6, & 7, 1975, the membership ordered that we renew efforts to establish a practical payment assurance system which will protect feeders.

They recommended a multi-item solution rather than zeroing in on a single approach, and then suggested procedures to be given consideration include, but not be limited to, the following:

1. Prompt payment for meat and meat products to relieve the tremendous financial burden presently carried by the packing segment, and passed back to feeders, of financing the distribution segment;
2. Requiring that checks in payment for livestock purchased be drawn on banks within a reasonable proximity of the given transaction site;
3. Establishment of an insurance system similar to the Federal Deposit Insurance Corporation, or other form of insurance fund;
4. Bonding and/or other types of payment assurances;
5. Provide feeders a prior and overriding lien on their livestock and the proceeds therefrom until payment is received;
6. Require packers to place proceeds of sale in a custodial account in an amount equal to the payments drawn for livestock;
7. Require packers to pay 80% of the estimated value, at the time of delivery, of livestock sold on a carcass basis;
8. Amend the present float system used by packers to require the credit line to be sufficient to clear all checks outstanding at any point in time, and such other changes as will make the system low-risk and financially sound; and
9. Electronic transfer of funds.

From this list and other ideas that may be developed, we expect to some up with an equitable plan for payment assurance within the very near future, and we request the serious consideration of this Committee.

Discrimination still exists in certain metropolitan areas against the sale of fresh meats. While the initiation of action to eliminate these discriminations may not be a responsibility of this Committee, nevertheless action to eliminate them is necessary to realize maximum returns for livestock and maintain the free operation of competitive forces in the market place. I hope there is no objection to my bringing them to your attention.

In Chicago and certain other metropolitan areas, provisions in labor union contracts limit the sale of fresh meats to hours prior to 6 PM, Monday through Saturday, and prohibit their sale after 6 PM and on Sundays and holidays even though the store remains open for the sale of all other items

The fabricating and boxing of beef at or near point of slaughter is an efficient and cost saving innovation now being carried on by a number of meat packers in order to reduce distribution and cutting costs. Yet, labor unions in a number of large cities and consumer areas, comprising in total over 20,000,000 people, refuse to handle boxed beef.

Furthermore, some serious strikes have been precipitated and prolonged over the boxed beef issue seriously tying up major slaughtering facilities and reducing the outlets for fed cattle.

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At least one major packer, in order to gain access to the New York market for its products, was forced to "buy its way in" and pay off the labor union leaders, for which the Chairman of the Board and the Company were found guilty and the Company was fined. The result was either an increase in the cost of meat to consumers, or a decrease in returns to livestock feeders, or a combination of both.

We desperately need changes in our laws that will remove these road blocks to the free and competitive distribution of meat and meat products including any restrictions on sales.

The matter of price ceilings or price controls is still being advanced as the only way to apply the brakes to inflation, even though the latter problem has now been subordinated by concerns over recession or even depression. We solemnly, but strongly, warn against ever imposing price controls again, particularly in peace time. Price controls have never worked, and only serve to disrupt normal business functions, and distort the production, processing and distribution of food products as well as most other consumer items.

For the time allowed and the attention given to the positions of the National Livestock Feeders Association, I express appreciation to the Chairman and to the members of the entire Committee.

The CHAIRMAN. The next witness is Mr. Cy Carpenter, President, Minnesota Farmers Union, St. Paul, Minn. With him is Mr. Melvin Hamann, Luverne, Minn., and John F. Traxler, Le Sueur, Minn.

STATEMENT OF CY CARPENTER, PRESIDENT, MINNESOTA FARMERS UNION, ST. PAUL, MINN.

Mr. CARPENTER. Thank you, Mr. Chairman. We are most appreciative of the opportunity to appear before this committee, particularly on behalf of the family type of operator of approximately 1 to 500 head. The gentlemen I have with me are such operators.

I have a brief statement that I would like to read; then I would like to refer to the situation immediately past, and as we look at it, the prospects now and ahead. To provide this information to the committee we all have statements to submit to be a part of the record.

After the livestock price disaster of late 1973, it was anticipated by some in USDA that 1974 could show some recovery and improvement.

The books have now been closed on 1974 and these results can be observed.

As of January 15, 1975, producers are receiving 51 percent of parity on beef cattle; calves are bringing 36 percent parity; hogs are bringing 82 percent parity; lambs are bringing 69 percent of parity, and sheep, 63 percent of parity.

We can cite numerous instances last fall in which farmers who sold 100-pound calves obtained only a few cents over marketing and transportation costs. One producer, who received 63 cents as the net return for a calf, found he could not even buy one hamburger sandwich from the proceeds.

These are not the only disturbing signs. We will not go into the details on that. We want to point out that the corn-hog ratio continues to drop. As of 1973 this corn-hog ratio was 22.3; now it is 12.4.

The CHAIRMAN. What would the ratio have to be to produce hogs profitably.

Mr. CARPENTER. I do not have that figure, and it is difficult because of the rapidly changing import costs. We do have the kind of documentation attached to the statement that would provide this. I cannot recite it from memory, but it is in the record.

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The present beef-corn ratio is at 10.8, compared to 24.9 in 1973. In 1974 beef cattle producers were able to share part of their disaster with the cow-cattle producer.

Now, apparently there is a hope of some, given a mammoth feed grain crop in 1975, this disaster would be shared with feed producers.

We think this is a part of a myth which has some believers, that to have a viable livestock industry that is self-adjusting, only leaves this kind of sharing of disaster with other forces.

One department official has indicated that a few are going broke each year, is the most healthy thing there is. Frankly we do not share that kind of approach to the livestock industry.

If we accept this theory, the problem is it leaves nothing but bankruptcy to many when the conditions fluctuate more than anticipated.

I note that beef cattle prices are 50-percent of parity. In 1973 beef cattle was at 115, calf prices 125-percent of parity. The cycle indeed has been very short. Those who have been in the business recall that prior to August 1973, there has been a low market at the end of 1970 after a rally earlier in the year from a bad market in 1969. This, in turn, had followed a peak market at the end of 1968, which in turn followed a severe slump in late 1966 and early 1967.

What I am saying is that the livestock industry can not survive that kind of roller coaster situation.

We would challenge anyone to show that this kind of situation is desirable for either the farmer or the consumer.

We think, of course, some degree of stability for the livestock economy would result from a 90- to 110-percent stability in feed grain. The National Farmers Union recommends this in their statement to this committee earlier.

It is time to face reality, and the knowledge that something better has to be provided the livestock farmer than putting him through the roller coaster ringer every 2 or 3 years as currently has happened in the recent past.

There may be something better than the kind of emergency or disaster loans that are offered to allow him to recover after facing such a disaster.

Up to this point in our statement we have been dealing with the general livestock situation. To get a fuller perspective on conditions, we feel it is essential to look at the situation of individual producers so you can relate these to the conditions that might be developed or programs that might be developed to deal with this situation.

We have attached exhibits dealing with a substantial number of average operators with computer type records, so there is no question of the validity of them. They are not the extreme, either example. We could add additional thousands to this kind of record. Some of these printouts are now being made available. Frankly, the results are worse than those keeping the records or the banks or others dealing with them had feared.

At this point, Senator, with your permission, I would like to now call on Mr. Melvin Hamann, who is one of these livestock producers.

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STATEMENT OF MELVIN HAMANN, ROCK COUNTY, MINN.

Mr. HAMANN. My name is Melvin Hamann. I am a cattle and hog feeder from Luverne, Minn. I participate in an adult farm management program that analyzes farm records at the end of the year.

This is done through the Jackson Vocational School in Minnesota. All records are analyzed and we receive printouts that go through computers and so forth.

To begin, to show you we keep a farm record book that looks like this. At the end of the year we receive the printouts that you received. It is about 16 copies. Every phase of your farm operation, every crop, every hog operation, cow operation, everything is separated, and you get a complete analysis of what your farm operation is doing. Also at the end of that year you get a copy like this. On one page it will show you your farm records. The next page will show all the records of the surrounding four counties, and you can compare how your operation has done with the neighboring counties.

To begin with the information is typical of the printouts coming back. The adult farm management instructors listed below compiled this information. I would like to make the following comments.

These comments are by the instructors. At the present time, we are getting the printouts back in April and we will have the averages of the farms in the four-county area of southwestern Minnesota compiled in a booklet.

Some of the veteran farm training programs were used if they were typical family farms.

We need to give credit to the vocational farm business education management program for this valuable information.

The supplemental costs include miscellaneous livestock expense, veterinary expense, and custom work.

The allocated costs include power and machinery costs, livestock equipment costs and building and fence costs.

The return over all listed costs does not include labor or interest expense on the investment.

These records come from Mr. John Murray, director, adult farm management program, and the instructors Mr. Garland H. Anderson, Luverne, Mr. Wayne Flynn, Worthington.

There is also a summary of 12 beef feeder operations in the Luverne and Worthington area.[1] On these records you take an inventory at the beginning of the year of your livestock and it is entered in your books. You close the books by another inventory at the end of the year.

The average number of beef feeder cattle in these operations are 224 head. They produced an average number of pounds of beef produced 136,693 pounds. There was a net increase in value of animals of $35,071, which is $24.57 per hundred. Their total feed costs were $60,402, which gives you an average feed cost of $45.69 per hundredweight. That means it costs you $45.69 to put out 100 pounds of beef; that is, feed costs.

The return over feed costs was a loss of $25,771, or a loss per hundred of $21.11.

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[1] See p. 963.

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Then you have your total supplemental costs, which is $1,832, and your total allocated costs of $3,773. That gives you a total loss of $31,376, or a loss per hundredweight of $25.02.

If you want to figure out to an average animal, the animals in these 12 heards gained 610 pounds, and at an average loss of $25.02 per pound, that gives you a loss of $152.68 per animal.

There is a summary of six beef feeder operations in Jackson County area. There the average number of beef feeders were 282 head. The pounds of beef produced were 164,923 pounds, with a net increase in value of animal of $48,141, or per hundred value of $29.18. Total feed costs for these 282 cattle were $81,750, or a per hundredweight feed cost of $49.56.

Their return over feed costs was a loss of $33,608, or per hundred $20.37. Supplemental cost was $2,681. Total allocated cost was $4,107, which gave them a total listed cost, a loss of $40,396, or a loss of $24.48 per hundred. The average gain on these animals was 584 pounds; their loss per hundredweight is $24.48 per hundred, which gives you a loss per steer of $143.17.

Next is my personal operation. On my beef feeding operation, I purchased 272 steers and I had 26 calves that were home raised, my own cow herd. My steers I purchased in November, from November 1 to January 12, 1974. They were sold between the period of October 19 to December 9.

So I purchased or raised 298 head of cattle. I purchased or raised 146,170 pounds for a total cost of $79,462.39 which gave me an average cost per animal of $266.65. I paid an average cost of $54.56 per hundred. The average weight was 490 pounds.

From this herd I sold and butchered one, 293 head; I sold 324,070 pounds of beef for a total sale of $126,562.75. The average selling weight was 1,106 pounds, the average selling price was $39.05. The average selling price per head was $431.95. The feed I put into these cattle, the feed I purchased which was in some form protein, was a feed bill of $9,573.70. I put into these cattle 19,550 bushels of my own corn which I place a value of $2.20 on, for a corn bill on $43,010. They ate 130 tons of corn silage at $15 a ton for $1,950. They ate 600 tons of haylage at $20 per ton, $12,000. They ate 5 tons of wild or alfalfa hay at $40 a ton, which was $200. My total feed expense is $66,733.70. I had a trucking in bill from various States of $299.74, and a veterinary and miscellaneous bill of $794, for total expenses of $147,290.62.

The selling price on these cattle was $126,562.75. The expenses were $147,290.62, which gave me a loss of $20,727.87.

You might add the interest on these calves, which is $5,297, which then would give me a loss of $26,025.36.

This does not include any expense for labor, waste handling, trucking to the slaughter plant, depreciation, replacement, repair or interest on silos, buildings, cement floors, feed bunks, fences, gates, fountains, feeding equipment, gas, electricity, and so forth.

Now the value placed on this feed, I placed on myself on January 1. This is what I felt the market value of the feed was at this time. That is what I entered on my books, so I carried that through the following year.

However, if you want to use the average figures for the year that the Jackson Vocational School uses, it reads, it raises your corn to

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) per bushel; corn silage at $17 a ton; haylage to $27.50 a ton; at $50 a ton. This would increase my feed bill by $16,540.
ie CHAIRMAN. Unfortunately your time has expired. I read full report.
he following material was referred to on p. 961.]

SUMMARY OF 12 BEEF FEEDER OPERATION IN LUVERNE AND WORTHINGTON AREA, 1974

	Herd total	Per hundredweight
number of beef feeder cattle	224	
of beef produced	136,696	
ease in value of animals	$35,071	$24.57
d costs	60,402	45.69
ver feed costs	(−25,771)	(−21.11)
pplemental costs	1,832	1.35
ver feed and supplemental costs	(−27,603)	(−22.46)
ocated costs	3,773	2.55
ver all listed costs	(−31,376)	(−25.02)

Average pound per steer put on is 610.25 lb., loss per hundredweight is multiplied by $25.02 then loss per steer i8.

SUMMARY OF 7 COMPLETE HOG OPERATIONS IN JACKSON, 1974

[These are farrow to finish operations]

	Herd total	Per hundredweight
of pork produced	251,926	
lue produced	$80,031	31.65
of feeds per hundredweight produced		416.00
d costs	63,030	25.74
ver feed cost	10,096	4.00
pplemental costs	1,791	.71
ver feed and supplemental costs	8,305	3.29
ocated costs	7,244	2.87
ver all listed costs	1,061	.42

SUMMARY OF 6 BEEF FEEDER OPERATIONS IN JACKSON, 1974

	Herd total	Per hundredweight
number of beef feeders	282	
of beef produced	164,923	
ease in value of animals	$48,141	29.18
d costs	81,7 0	49.:6
ver feed costs	(−33,608)	(−20.37)
pplemental costs	2,681	1.62
ver feed and supplemental costs	(−36,289)	(−21.99)
ocated costs	4,107	2.49
ver all listed costs	(−40,396)	(−24.48)

Average pound per steer put on is 584.83 lb, loss per hundredweight is $24.48 then loss per steer is $143.17.

nmary of Melvin C. Hamann beef feeder operation, Rock County, Minnesota.
are 272 steer calves purchased, and 26 calves home raised in this group. ased from November 1st to January 12, 1974. Sold from October 19 to nber 9, 1974.

ased and raised, 298 head.
ased and raised, 146,170 pounds.

Total cost	$79,462.39
ge cost per head	266.65
ge cost per pound	54.36

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Average weight per head, 490 pounds.
Sold and butchered, 293 head.
Sold and butchered, 324,070 pounds.

Total sales	$126, 562. 75
Average selling weight, 1,106 pounds:	
Average selling weight, price per hundredweight	39. 05
Average selling weight, price per head	431. 95
Cost of cattle	79, 462. 39
Feed purchased:	
Home raised feed	9, 573. 7
19,550 Bushels corn at $2.20	43, 010. 0
130 tons corn silage at $15	1, 950. 0
600 tons haylage at $20	12, 000. 0
5 tons wild and alfalfa hay at $40	200. 0
Total feed expense	66, 733. 70
Trucking in	299. 74
Veterinary and Miscellaneous	794. 79
Total expenses	147, 290. 62
Total sales	126, 562. 75
Total expense	147, 290. 62
Loss	20, 727. 87
Interest on calves	5, 297. 49
Total loss	26, 025. 36

This does not include any expense for labor, waste handling, trucking to plant (slaughter), depreciation, replacement, repair or interest on silos, buildings, cement floors, feed bunks, fences, gates, fountains, feeding equipment, gas, electricity, etc.

The value placed on home raised feeds, I put on January 1, 1974 which are low. However, if you would use the yearly average figures used by the Jackson Vocational School, which places corn at $2.80 per bushel; corn silage at $17.00 per ton; haylage at $27.50 a ton; hay at $50 a ton, this would increase feed cost by $16,540.00, which in turn would change the LOSS from ($26,025.36) to ($42,565.36).

The low feed cost represents a loss of $88.82 per steer, or a feed cost of $37.51 cwt.

The high feed cost represents a loss of $145.27 per steer, or a feed cost of $46.80 cwt.

In both cases all other costs would be approximately $4.00 cwt.

Summary of Melvin C. Hamann hog operation, Rock County, Minnesota.

There were 38 sows at beginning of year, which were all sold by March 1, 1974. The rest of operation is purchased feeder pigs.

Beginning inventory, 160 head, 28,160 pounds	$10, 916. 00
Ending inventory, 390 head, 50,760 pounds	23, 652. 00
Sold, 771 head, 188,280 pounds	65, 956. 78
Total pounds purchased, 210,880.	
Total value produced	78, 692. 78
Average weight sold, 244 lbs.:	
Average price per head sold, $85.55.	
Average price per hundredweight sold, $35.03.	
Expenses:	
1,004 head feeder pigs purchased	27, 823. 00
Average price per pig, $27.71.	
Average weight per pig, 49 pounds	
Feed purchased included grind, mix and delivery	46, 850. 54
Veterinary expense, bedding, medicine, spray, etc	1, 539. 52
Total expenses	76, 213. 06
Net profit	2, 479. 72

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This does not include any expense for labor, interest, waste handling, trucking, depreciation, replacement, or repair of buildings, cement floor, feeders, fountains fences, gates, etc.

The CHAIRMAN. You may proceed, Mr. Traxler.

STATEMENT OF JOHN F. TRAXLER, LE SUEUR, MINN.

Mr. TRAXLER. You heard what happened in 1974. This is a projection of my cattle in 1975.[1]

I purchased 164 heifers on July 20, 1974, at $36 per hundredweight for a total cost of $222.

My total feed cost, and this does not include labor and management, was $195.40. So I took the value of this animal at 940 pounds times $33.50 which is the top of the market, netting $314.90, so I end up with a loss per head of $102.50, or a total loss for these 164 heifers of $16,810.

Going down a little further into my chart, I have a neighbor who testifies that in this form that he lost $82.82 per head, for a loss on his lot of $12,174.75.

If we bought cattle right now, feeder calves, and projected them into the computer to find out how we would come out—we took a 450 pound steer calf, market value to buy it is about 22¢, which is quite reasonable, so the value is $99 total cost.

Going on down we have a total feed and operating cost of $340, so we would lose $36.52 if this animal was sold on today's market. So we need a $39 selling price to break even. We would end up with $9. To get $20 per head for our labor and facilities, we need $40 per hundred.

If there are any questions?

The CHAIRMAN. We have heard the sad story from every State, virtually, in the Union that has a cow in it.

You have told us the sad story. What can we do to remedy it?

Mr. CARPENTER. Mr. Chairman, I am sure the committee is wrestling with this in many ways. We do not look for a magic solution. We do think the stabilizing of feed grains on a continuing basis is essential.

The CHAIRMAN. How can you stabilize feed grains?

Mr. CARPENTER. We think a substantial support loan program would stabilize the price of feed grains.

The CHAIRMAN. It would merely depress the price. Remember every time we have had huge reserves, the price of grain got cheap. That stimulated the livestock industry and aggravated matters rather than remedying them.

Mr. CARPENTER. We do not think it needs to result in an excessive surplus if it is properly implemented, particularly in the face of the world demand for grain. We do think, both from the standpoint of the farmer and consumer, Mr. Hamann's illustration, he has produced over half a million pounds of beef and pork this year, to suffer a $26,000 loss. We must have better action that we have had in the past.

We know the dilemma you are faced with.

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[1] See p. 969.

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The CHAIRMAN. A lot of it is attributed to wrong programs adopted in the past, the freeze, on farms, the price of cattle: things of that nature have aggravated it tremendously.

I do not see any immediate short term remedy to the beef problem because of your long cycle breeding a heifer and turning out a steer. We have embargoes all over the world on the exports of beef. We have a great deal of beef coming into this country that should not be coming in. We have 7 to 8 million more cows than we have ever had.

You have a consumer demand that is harassed by inflation and depression and everything else. I think it is going to take time. The one remedy I think we can speedily enact is a self-help program, a checkoff program where the farmers would go and use their own funds to promote the utilization of more beef. Do you gentlemen support that?

Mr. CARPENTER. Of course, we recognize the industry could and will do everything it can within its own power. However, we do not think it can do it itself, with reference to the cycle you mentioned. We recognize the complexity of the increasing cow numbers, the disastrous rise and fall that we outlined in our statement is much more rapid than the normal 3 or 4 years.

The CHAIRMAN. I agree with you. I do not think I have seen as rapid a transition in the livestock industry as we saw in 1974. You may have been out of the room when the President of the American Cattlemen's Association testified the feeding and operating losses on cattle were $5 billion, inventory losses of $20 billion in 1 year.

Mr. CARPENTER. In that connection I think it needs to be recognized from the standpoint of the consumer that the total loss goes substantially beyond that. While there may be a need for expenditure in programs, it may be a wise investment rather than suffer the loss and the additional billions that would be accumulated.

The CHAIRMAN. Thank you gentlemen.

Senator Dole?

Senator DOLE. I have no questions.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Carpenter and Mr. Traxler follows:]

STATEMENT OF CY CARPENTER, PRESIDENT OF MINNESOTA FARMERS UNION, ST. PAUL, MINN.

After the livestock price disasters of late 1973, it was anticipated by some in USDA that 1974 could show some recovery and improvement.

The books have now been closed on 1974 and these results can be observed:

As of January 15, 1975, producers are receiving 51% of parity prices for beef cattle; Calves are bringing 36% parity; Hogs are bringing 82% parity; Lambs are bringing 69% of parity, and sheep, 63% of parity.

We can cite numerous instances last fall in which farmers who sold 100-pound calves obtained only a few cents over marketing and transportation costs. One producer, who received 63¢ as the net return for a calf, found he could not even buy one hamburger sandwich from the proceeds.

These are not the only disturbing signs:

Culling of dairy cattle has been extremely high during the past year, reflecting the crisis in that industry. Few seem to recognize that an important portion of our red meat volume comes from the dairy segment of the livestock economy.

Liquidation of calves continues. Calf slaughter was up 83% in December, 1974, compared to a year earlier.

Prospects on December 1st, were that the 1975 Spring pig crop would be the smallest in 40 years.

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Even with the softening of grain prices, feed cost-price relationships are still well below the levels which in the past have encouraged output of livestock, dairy and poultry in the past.

As of January 15, 1975, these ratios prevailed:

	Jan. 15, 1973	Jan. 15, 1974	Jan. 15, 1975
Hog—Corn, United States	22.3	15.5	12.4
Milk—Feed	1.59	1.48	1.25
Beef steer—Corn [1]	24.9	16.5	10.8
Egg—Feed	9.0	8.8	7.1

[1] November.

In 1974, fed cattle producers were able to share part of their disaster with the cow-calf producer.

Now, it is apparently the hope of the experts over at USDA that, given a mammoth crop of feed grains in 1975, cattlemen can share their disaster with feed producers.

It has all been a part of the myth, which has had devot believers in USDA and in some of the cattlemen's groups, that we can have a viable livestock industry, which is self-adjusting, if we only leave things completely to market forces.

Apparently, part of this thesis has been the acceptance of the idea that "a few of us going broke each year is one of the most healthy things there is," as one USDA official expressed it last week.

If we can understand the theory, it is supposed to work like this—the bankruptcy of a few is supposed to send signals back to others of what the market wants. The smart operators will react, readjust and presumably prosper.

The fault of this philosophy is that it has nothing to offer when there is bankruptcy for the many, not just for the few. It has nothing to stem the tide when there is an exodus out of dairying, livestock or hogs.

Unfortunately, farmers who produce livestock, have been without constructive and positive leadership on the part of their own commodity spokesmen over the years. It has been typical for many of these spokesmen to cry— "keep the government off the farm", "leave us out of the farm programs," yet when their beloved free market has treated them rudely, they have exceeded the speed of light in their dash for Washington, D.C., to put limits on meat imports or to have the government buy vast quantities of processed or frozen meats for school lunch or welfare feeding programs.

Some cattlemen's groups therefore must bear part of the blame for the roller-coaster conditions which have prevailed in recent years. They have not only opposed the development stabilization programs for livestock, but have actively opposed measures for improved stability in the feed grains and dairy sectors which have such a major impact upon the livestock industry.

In the opening of my statement, I noted that beef cattle prices are now at 50% o parity, calf prices at 36% of parity. It should be recalled that in August, 1973, beef cattle prices were at 115% of parity and calf prices at 125% of parity.

The cycle indeed has been short. Those who have been in the business recall that prior to the August, 1973 peak, there had been a low market at the end of 1970, after a rally earlier in the year from a bad market in 1969. This in turn, had followed a peak market at the end of 1968, which in turn had followed a severe slump in late 1966 and early 1967. A relatively strong market prevailed at the end of 1965 following the disastrous markets of late 1963 and early 1964.

What I am saying is that livestock producers should no longer be exposed to that kind of a roller-coaster.

We challenge anyone to show how that kind of a livestock economy is desirable either for the producer or for the consumer of meat products.

Of course, some degree of stability for the livestock economy could result from the approval of a 90 to 110% of parity stabilization program for feed grains and a 90% of parity support for manufacturing milk, as was recommended by the National Farmers Union in its statement before this committee on February 3rd.

But, it is time to face the realities—and to acknowledge that something better is needed than to put the livestock farmer through the economic wringer every two or three years.

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With the realities of inflation and the high costs of credit and farm inputs, it is time to provide some basic protection to the livestock producer who ventures the high risks which it takes today.

It must be something better than emergency loan programs designed to fence out most of the possible and needy applicants.

It is the time, in our opinion, to write into the 1975 Agricultural Act, a system of price floors under livestock prices. How these price floors are implemented, whether through payments to producers, through government purchases, or other measures, is not so important as that a method must be developed immediately to share some of the risk which producers are taking.

Without such action, the trend unusually heavy which you already see in the drop in feedlot placements, in the slaughter of cows and calves and in the drop in the prospective pig crop, will sharply accelerate.

The meat scares of 1972 and 1973 will be pale compared to the scarcity ahead if nothing is done to keep livestock producers in the business.

Up to this point, in our statement, we have been dealing with the general livestock situation. To get a fuller perspective on conditions, we believe that it is essential to look at the situation of individual producers.

We have therefore appended to this statement a tabulation of the reports of farm management studies for livestock producers in Minnesota in 1974. These are preliminary figures since the complete tabulations have not yet come off the computer. But, the preliminary loss figures are significant because they represent the situation of efficient, viable livestock producers—not marginal or unrepresentative samples.

Accompanying us today are two Minnesota livestock producers, Mr. Melvin Hamann of Rock County, Minnesota, and Mr. John F. Traxler of LeSueur County, who have data to submit on conditions in their own operations and their own communities.

EXHIBIT I—VOCATIONAL AGRICULTURE FARM MANAGEMENT PROGRAM, THIEF RIVER FALLS, MINN., REPORTED BY C. E. SISLER, JR., AREA VO-AG COORDINATOR

Summary of records of 43 farms, each with about 40 or more cows.

Total of 1,620 beef cows included in summary.

Return over feed and other allocated costs, 1974 $—$145.00 per cow.

For the year, 1973, a summary of the operations of 159 farms, showed a plus figure of $135.00 as a return over feed and other allocated costs.

EXHIBIT II—RENVILLE, MINN., VOCATIONAL AGRICULTURE DEPARTMENT, REPORTED BY M. WACHOLZ, INSTRUCTOR

Farm A.—Raised 106 feeder cattle, 1974. Operations showed a net loss of $8,478.00, at a rate of $18.03 per cwt. or a rate of about $80.00 loss per animal.

Farm B.—Raised 613 head, shows a minus figure of $37,709.00 on the operations, at a rate of loss of $11.85 per cwt. or about $60,00 per animal.

Farm C.—Raised 121 head, shows a minimum figure of $26,807.00 on the operations, at a rate of loss of $27.51 per cwt. or about $220.00 per animal.

Farm D.—Raised 46 head, shows a minus figure of $14,747.00 as the return over feed and listed costs, at a rate of loss of $37.91 per cwt. or about $320.00 per animal.

EXHIBIT III—CANBY AREA VOCATIONAL-TECHNICAL INSTITUTE, CANBY, MINN., REPORTED BY DENNIS SCHENTZEL AND DALE SCHOBERG, INSTRUCTORS

Farm A.—This farm raised four lots of cattle between August, 1973 and January, 1975. On the first lot of 580 head, the total lost was $106,180.60, an average of $183.07 per head. On the second lot of 180 head, the loss was $18,858.50, an average of $104.77 per head. The third lot of 116 head, showed a net loss of $19,119.12, an average of $164.82 per head. The fourth lot of 355 head resulted in a total loss of $72,906.35, an average of $205.37 per animal.

Farm B.—Raised 58 steers, showed a total loss of $6,473.38, an average of $11.61 per head.

Farm B.—Raised 260 steers, sold between April and December, 1974. Total operating loss of $39,000.00 or an average of $150.00 per head.

[The following information was referred to on p. 965.]

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STATEMENT OF JOHN F. TRAXLER, RT. 1, LE SUEUR, MINN.

My situation on present feed lot of cattle:
Date Purchased: July 20, 1974.
Purchase Price: $36.00 per hundredweight.
Kind of cattle: 600 pound beef heifers.
Number of head: 164.
Feeding program:
July 20–Oct. 20 (92 days) Haylage.
Oct. 21–Dec. 15 (56 days) corn silage and 4 lbs. shelled crack corn.
Dec. 16–Jan. 12 (28 days) corn silage and 8 lbs. shelled crack corn.
Jan. 13–Feb. 18 (37 days) corn silage and 12 lbs. shelled crack corn.
Protein Oct. 21–Feb. 18 (121 days) Feeding Period.
Salt and Mineral July 20–Feb. 18 (213 days) Total Period.
1974 Production feed cost prices (Basis):
Corn, $203.66 per acre 70 bushel per acre yield: $203.66÷70=$2.91 per bushel; $2.91÷56=*$.052* per pound.
Corn Silage, $203.66÷15 tons=$13.57 per ton; $13.57÷2000=*$.0068* per pound.
Haylage, $35.00 per ton; $35.00÷2000=*$.0175* per pound.
Protein $190.00 per ton *$.095* per pound.
Salt and Mineral $14.00 per hundred *$.14* per pound.
'rofit or loss under current situation; cattle now average 940 lbs. (est.) (They could be sold):

Sales—940 lbs. at $33.50 per hundred, top market South St. Paul February 14, 1975	$314.90
xpenses:	
Purchase cost—600 pounds ×.36	216.00
Buying cost—$6 per head	6.00
Total	222.00
Feed cost:	
July 20–Oct. 20, 33 pounds haylage ×.017×92	51.60
Oct. 21–Dec. 15:	
4 pounds corn ×. 052×56	11.64
40.3 pounds corn Sil. ×.0068×56	15.34
Dec. 16–Jan. 12:	
8 pounds corn ×.052×28	11.64
40.3 pounds corn Sil. ×.0068×28	28.27
Jan. 13–Feb. 18:	
12 pounds corn ×.052×37	23.08
40.3 pounds corn Sil. ×.0068×37	10.13
Oct. 21–Feb. 18, 1¼ pounds protein ×.095×121	14.37
July 20–Feb. 18, Salt and Mineral .15lb×.14×213	4.47
Total feed cost	170.54
Death loss (average is .5%), I had none	0
Selling cost	7.00
Interest on cattle, $222×8½ percent ×213 days	10.94
Medication and veterinarian	1.52
Annual facility cost, $10.80÷2 groups	5.40
Total cost other than purchase of feed	24.86
Total cost	417.40

Cost $417.40 minus sales $314.90=$102.50 lost; per head basis Labor and anagement excluded.

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FEED COSTS

I bought these steers to make some money and to furnish the public with food.

147 good and choice yearling steers purchased July 10, 1974:

Weight at 579 pounds; price hundredweight, $40.43; cost per steer	$234.31
Feed cost:	
Corn silage, 540 tons at $10 per ton	36.73
Hay $50 per ton (15 tons)	5.10
Corn	65.30
Alfalfa silage, 22 acres at $50 per acre (2 crops)	6.80
Concentrate $180 ton	18.90
Interest 8.5 percent (7 months)	11.55
Depreciation	5.00
Miscellaneous (bedding, water, vet)	15.00
Labor	20.00
Feed cost to February 15, 1975 ($38.69 hundredweight)	184.38
Projected finishing cost; 60 pounds at $46 hundredweight	27.60
Projected feed cost March 15, 1975	211.98
Total value	446.29
Projected market value March 15, 1975; 1,085 pounds at $33.50	363.47
Loss per head	82.82
Total loss (147 steers)	12,174.54

In July of 1973 when Beef peaked at $58.00, farmers did not favor this because they knew it would meet resistance from the consumer. In this trade of farming a reasonable annual profit is more favorable than highly unstable prices. I lost about $22,000.00 last year in beef and this year's $12,174.00, with one more lot to go, is a far bigger loss in one year than I ever had profit.

At this time the only thing that keeps me from going on Welfare is pride. If I lose that we are all in trouble.

BUDGET FOR STEER CALF, USING LIBERAL SILAGE RATION

	Head	Hundredweight gain
Performance:		
Purchase weight (pounds)	450	
Selling weight (pounds)	1,150	
Total gain (pounds)	700	
Average daily gain (pounds)	1.90	
Days on feed	368	
Value produced:		
Sale value at $35 per hundredweight	$402.50	
Purchase cost at $22 per hundredweight	99.00	
Gross margin	303.50	$43.36
Feed requirements and costs:		
Corn 43.08 bu at $3	129.23	18.46
Silage 4.31 ton at $22	94.77	13.54
Hay 0.43 ton at $80	34.46	4.92
Protsup 3.55 cwt at $10	35.54	5.08
Mineral 0.48 cwt at $14	6.78	.97
Total feed cost	300.78	42.97
Operating costs:		
Interest on animals (8 percent)	7.99	1.14
Death loss (2 percent)	2.24	.32
Selling and buying costs	17.00	2.43
Other operating costs	12.00	1.71
Total operating costs	39.23	5.60
Total feed and operating costs	340.02	48.57
Budgeted return for labor and facilities	−36.52	−5.22

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RETURN PER HEAD FOR LABOR AND FACILITIES WITH DIFFERENT PRICES

Selling price per hundredweight	When purchase cost per hundredweight is— $18	$20	$22	$24	$26
$31	−$62.67	−$72.60	−$82.52	−$92.44	−$102.36
$33	−39.67	−49.60	−59.52	−69.44	−79.36
$35	−16.67	−26.60	−36.52	−46.44	−56.36
$37	6.33	−3.60	−13.52	−23.44	−33.36
$39	29.33	19.40	9.48	−.44	−10.36

BREAK-EVEN SELLING PRICES THAT WILL COVER FEED, OPERATING, AND $20 RETURN FOR LABOR AND FACILITIES

Purchase price per hundredweight	When corn price per bushel is— 2.80	2.90	3.00	3.10	3.20
$18	$36.77	$37.38	$38.00	$38.62	$39.24
$20	37.63	38.25	38.86	39.48	40.10
$22	38.49	39.11	39.73	40.35	40.96
$24	39.35	39.97	40.59	41.21	41.83
$26	40.22	40.83	41.45	42.07	42.69

Note: To cover only feed and operating costs subtract $1.74.

CASH FLOW COSTS OF GROWING CORN IN 1975 ON RENTED LAND

[1975 cash flow]

Production costs	100 bu acre	130 bu acre	Your farm, bu acre
1. Seed—with discounts	$11.75	$11.75	
2. Starter fertilizer	15.00	20.00	
3. Broadcast fertilizer (charge to beans)			
4. Nitrogen—1.2 lb actual per bushel	21.60	28.00	
5. Herbicides	16.00	16.00	
6. Insecticides	5.20	5.20	
7. Gas, oil, grease	8.30	8.30	
8. Repairs	9.50	9.50	
9. Machinery—Replace and interest on loans	39.17	39.17	
10. Insurance—Hail	3.70	3.70	
11. Interest—Operating 6 mo to harvest	3.64	4.10	
12. Miscellenous costs and auto (farm share)	4.50	4.50	
13. Drying costs—Gas and electricity	8.00	10.40	
14. Replace drying and handling system	6.50	8.45	
15. Storage, additional	2.80	3.64	
16. Trucking at 6¢/bu	6.00	7.80	
17. Interest on stored corn 7 mo after harvest, $2.55 harvest price	11.90	15.47	
18. Insurance on stored corn	1.40	1.82	
19. Cash rent—Land	70.00	90.00	
20. Labor—5 hr at $4	20.00	20.00	
Total cost per acre, including labor	264.95	307.80	
Total cost per bushel, including labor	2.65	2.37	

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1974 farmer's cost to produce 1 bushel of corn

	Amount
Production Cost Per Acre:	
Seed	$10.0[illegible]
Starter fertilizer (10–40–40 actual)	13.9[illegible]
Nitrogen (150 lb actual)	24.0[illegible]
Weed chemical	10.5[illegible]
Corn rootworm chemical	4.00
Gas, oil, grease	4.80
Repairs	5.50
Machinery—Replace and interest	23.00
Hail insurance	4.00
Interest—Operating 4 mos	1.50
Miscellaneous cost	2.00
Drying cost	22.00
Storage	4.00
Trucking at 4 cents per bushel	4.40
Land value and taxes	50.00
Labor at $4 per hr—5 hrs	20.00
Total cost per acre	203.66
Cost per bushel (Cost per acre)	203.66
110 bushel yield ($203.66÷110)	1.86
Farmer's cost per bushel corn	1.86

Information: 110 bushel yield; $30 per bushel seed; 16¢ per pound nitrogen; $80 per ton 0–0–60; $155 per ton 0–46–0.

The CHAIRMAN. The next witness is a former Member of Congress, the Honorable Clem McSpadden, Independent Beef Producers of America, Claremore, Okla. We are delighted to have you back before our committee.

STATEMENT OF HON. CLEM McSPADDEN, INDEPENDENT BEEF PRODUCERS OF AMERICA, CLAREMORE, OKLA.

Mr. McSPADDEN. I speak this morning, first of all, as a producer. I might add I bought my own ticket up here. I do represent the Independent Beef Producers, a new organization that has been started. We feel that the horse is out of the barn. In my lifetime, I have seen three of these, the first one when I was too little to remember, in the depression. The first steer I ever owned was given to me. I sold him to the local butcher for 7½ a pound. He weighed 800 pounds and brought $12. I sent his hide—or my father did—to Des Moines, Iowa, to the county tanning company to have a rug made out of him. We got the bill back; it was $17.50. So I learned what the middleman was when I was just about 6 years old.

In the fifties, this second wreck happened when we were selling feeder calves, which was our principal deal in our part of the United States. I sold feeder calves at 13 and 14. This differs from those inasmuch as the purchasing power in the thirties and the fifties still was a great deal more, percentagewise, outside of our own business than it is today. We are in a depression. Everything we are buying, of course, is in an inflationary spiral. My little operation, with 250- or 230-cow units; is based on selling calves this fall, I cannot afford feed, and will have to buy some fertilizer to keep it going. I stand to lose about $7,396 on this cow operation. You gentlemen have heard testimony. We have all said the same thing, the feeders and the producers as well.

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The question I think we must resolve is what the Congress and/or the administration do to avoid another wreck. In my opinion, the imports, of course, should be reconciled as quickly as possible. We are importing, in round numbers, 1,500 million pounds of meat; 800 pounds of cow is going to go 40 percent, or a little more. So we are importing close to a half a million head of stock. These boxes, or cases, of imported beef are those that we are directly in competition with when we are trying to help ourselves in culling our cow herds. We are in direct competition.

I would hope the Congress can quickly do something as to getting this to the floor. I do not think, with my correspondence with Secretary Butz or the President during the tale that shaped the last session; in my opinion. I do not think they are going to do anything about it. Congress is going to have to take the bit in its mouth and do it.

Second, if we are living in an era where everything is labeled—when you buy vitamins, as you know—within 3/100 of a percent of what you are buying, it seems to me that the American consumer, the housewife, is entitled to know what kind of meat she is buying. I checked personally on two plants of a major soup manufacturer in this country, and these plants at that period in time were using 100 percent imported beef. Some of the plants tell me they have to cook this beef twice to avoid the stench and smell. The American housewife is entitled to know this. The American housewife and the consumers, the teenagers, who eat the two meat patties with a special sauce and all that, are entitled to know, by and large, they are eating a lot of canner-cutter cows. There is nothing wrong with cow meat for hamburger. But people are entitled to know that, in my opinion.

A third item—and I do not know how much testimony you have all heard—is the yellow sheet. I do not think one producer in our country out of 50 knows that there is a yellow sheet. The little man with 100 cows that works at the plant—where these 100 cows are, those that he educates his kids with, buys a color TV with, buys a pickup with, he is $10,000 or $15,000 behind. It is hard for him to catch up to this man who owns this place with several thousand cattle.

The methods with which the yellow sheet works leave areas for manipulation. It is put out every morning by a series of WATS-line calls to people all over the country. I have outlined, and I hope you gentlemen will have the opportunity to look at the hypothetical. I would like to read one hypothetical situation of what could conceivably happen. This would be between two packers. The major company, say, has a hundred-carload contract to deliver beef on the sheet, as closed the market on Thursday. On Wednesday afternoon, let us assume the market is lingering on this particular kind of beef around 60 cents a pound for this grade. This packer could conceivably go to another packer, and buy two or three carloads to fill an alleged shortage. The first packer commits 62 cents a pound, and buys two or three carloads of meat. Then, this could be reported to those people putting the yellow sheet out, and easily manipulate the market upwards. The same thing can work on the way back.

I do not know if the answer is a central exchange or not, but I think these things should be made public.

The CHAIRMAN. Who publishes the yellow sheet?

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Mr. McSPADDEN. A man by the name of Lester Norton. Let me set the record straight now; I do not want to impugn his integrity. He has done this for many years.

The CHAIRMAN. Is that made available to all livestock purchasers?

Mr. McSPADDEN. Yes, sir, very well.

The CHAIRMAN. Auction markets, slaughtering plants, or both?

Mr. McSPADDEN. Yes, sir. He has a staff of 8 or 10 people, I assume, on WATS lines in the morning. They check sales, and people call in. Ours is a business of tradition, as you well know, Mr. Chairman, and this is the traditional sheet, and it is the method by which trades are made on. It can be so easily manipulated up or down by this hypothetical situation.

I talked to a man by the name of Wally Dobson in Creek County, Okla., 2 weeks ago. He is convinced, but he cannot prove, that a packing house in one of the Dakotas is buying a lot of cow carcasses in our country. He is convinced the market was manipulated 2 or 3 cents. He cannot prove it. We are not saying this is wrong. I am saying that the USDA puts one out. It does not have enough stature that the Department of Defense uses it. They are the fourth largest purchaser of beef; they still use the yellow sheet.

The CHAIRMAN. Why is that?

Mr. McSPADDEN. Tradition, I assume, Mr. Chairman. I cannot answer that.

The CHAIRMAN. Would not the average individual think the Government document would be more accurate than the one put out by a private individual?

Mr. McSPADDEN. I would rather not answer that today, Mr. Chairman. I would question that, in all sincerity. I do not like the yellow sheet, but I would question whether the average individual would believe the Federal Government today, if he is a cowman.

The CHAIRMAN. It would depend on the individual in the Federal Government.

Mr. McSPADDEN. Yes, sir, I think so. Perhaps an exchange of sorts, like we have in other commodities, where everything is open and aboveboard.

In closing, Mr. Chairman, we are trying to help ourselves. We are not looking for any handout. The loan bill that we passed last session is inadequate. We have got to have more time, especially on that. Some large producers need the $250,000 limit raised. The people that are in my league, the $250,000 is not that important. The time is; not 3 or 5 years. It is going to take longer to bail out. We have so many broke people in our country.

The CHAIRMAN. Do you have any recommendations besides extending the time period for repayment under the loan program?

Mr. McSPADDEN. I would extend that, lower the interest rates. I would knock the imports out as quickly as I could, and at worst go back to 1964, the triggering level of 750,000 pounds. I think that it is wrong for any basic industry in this country that is producing something—when they are all broke, to bring one pound of whatever product that is affected from another country. Personally, that is my philosophy.

The CHAIRMAN. Particularly when the other countries are closed themselves.

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Mr. McSpadden. Yes, sir. I would push the new grading system. None of us eat choice meat at home. We will feed a yearling for 60 days. We are eating good meat.

The Chairman. I am sorry, your time has expired. You made a very able and eloquent statement.

Any questions? Senator Dole?

Senator Dole. Just a comment, particularly in reference to imports. That is a matter of great concern. Imports are down, but they still are about 1 billion pounds. You may have been wondering; a number of us in the Congress last year felt we could do it by legislation. We were kidding ourselves, more so in this Congress. It is a more liberal, consumer-oriented Congress. I do not see any chance of doing it from a legislative standpoint. I do not think there are enough votes, because of misunderstanding of what it might do to consumer prices. Some of us intend to pursue it, as you probably did in the House. I found out very quickly, when I started to call my amendment up one day. I was notified by a Republican and Democratic Senator from urban areas, who indicated to me very candidly that they were not going to vote on my amendment. They would talk at length, if necessary. That is another part of that package.

Mr. McSpadden. Mr. Chairman, may I have 30 seconds? Ten of us are starting a little meat market. We are opening in 3 weeks. We do not know if it will work or not. We hope it does. We hope to use this expertise to help other citizens.

The Chairman. What percentage of the food dollar do livestock producers get?

Mr. McSpadden. I do not know, sir.

The Chairman. In the total of American agriculture, my recollection is 39 cents out of the food dollar, where you are talking about 61 cents of the food dollar that does not go to the farmer. It is the middleman, or whatnot.

Thank you very much, Congressman. We appreciate your contribution.

[The prepared statement of Mr. McSpadden follows:]

Statement of Hon. Clem McSpadden, Independent Beef Producers of America, Claremore, Okla.

Every morning today on Chicago's Near North Side, Lester Norton produces a price report known nationally in the meat trade as the Yellow Sheet. He has published this since 1948. Although no one knows for sure the circulation, most people in the livestock industry feel it is in excess of 10,000. Another belief shared by the overwhelming majority estimates that 90% of all United States wholesale meats are governed at least indirectly by the yellow sheet price.

Meat brokers, wholesalers, processors and even some packers feel that the possibility of price rigging exists. In no way do I want to impugn Mr. Norton's integrity or his desire to quote prices as he hears them, but Mr. Norton and his staff each morning make and receive phone calls all over the United States and by this contact with sellers, buyers and brokers, establish the price of meat for that particular day.

Here is a hypothetical example of what two packers could conceivably do. A major company has 100 carload contracts to deliver beef "at the sheet" as of the close of the market on Thursday. On Wednesday afternoon let's assume the market is lingering around 60¢ a pound for the particular grade of beef involved. This packer then approaches another packer and asks to buy two carloads of this type beef to fill an "alleged shortage." The first packer bids 62¢ a pound. As soon as this deal is made, it is reported to the yellow sheet which would reflect a closing transaction on Wednesday of 62¢ a pound without mentioning names. It is easy to

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see that a two-carload sale containing roughly 80,000 pounds of beef could raise the price of the pre-arranged 100 carloads of beef by 2¢ a pound the following morning, or roughly $40,000. Thus, both the producer and consumer are the victims. This can also work on a downward side.

Another hypothetical example of market manipulation would be a high-low processor split. Let's assume that a packer and a processor want a ten-carload transaction at 60¢ a pound but the packer with heavy orders scheduled to be sold that day "at the sheet" is riding a recently high-ball price of 62¢ to the yellow sheet and doesn't want to lower the market at the close of that particular day. So the packer sells eight carloads at 58¢ and the remaining at 61¢. The money is exchanged as if all carloads had been sold at the sheet price but the sheet stays up. The producer and the consumer are both caught in the middle of these things that most people in the industry firmly believe are happening but can't prove. The U.D.S.A. has a daily price report whose prices differ from the yellow sheet's on occasion but is lacking in prestige so that the Department of Defense, the nation's 4th largest meat buyer uses the yellow sheet instead. I firmly believe that this committee and the Congress should give due thought to a central exchange where all wholesale meat transactions would have to be conducted in the open.

Imports

With the livestock industry going broke, the height of folly is to continue the meat import program. Approximately 1,500,000,000 pounds of imported beef will flood the United States this year unless something is done. All this meat is boned. Let's assume the average cow slaughtered in this country weighs 800 pounds and will bone 40%. This represents almost a half million cows coming to the American public. This puts our livestock producer in direct competition for the cow meat market. Or to put it another way, approximately 6% of the meat consumed here in the United States comes from foreign sources. Admittedly, the female numbers are too high in the country today. Neither the President nor the Secretary of Agriculture has shown any inclination to cut off imports immediately. If we are to help the livestock producer in this country help himself, this has to be done.

The average American today—in my opinion—is opposed to foreign aid, based on the old premise that you can't buy friends with money. Nothing could serve our country better than to instigate immediately a canned meat program and send this food in lieu of dollars. The Ambassador from Bangladesh told me personally last December that in his judgment, one-third of the grain coming to his country was lost due to spoilage. None of these countries, of course, have storage facilities. American beef can keep indefinitely if canned. This over the long run can keep our female numbers at a proper level.

Labeling

I personally know that at least one plant of a major soup manufacturer in our country uses almost entirely imported beef. Another large hamburger chain uses nothing but cow meat and in many instances cutters and canners. Thus, it is only common sense that if we are to buy vitamins in this country and know within 100th of a percent the makeup of that particular vitamin, why shouldn't we label meat and let the American consumer know what they are eating?

Direct selling

Ten ranchers—including myself—from Oklahoma, Arkansas and Texas have borrowed money to start a direct sale of meat from producer to consumer. We will have a meat market opening in Dallas, hopefully within the next thirty days and with luck and hard work we hope to extend this into the metropolitan areas of Oklahoma and the surrounding states.

The American cattleman is not asking for any handout—we merely feel that if the proper things aren't done at the Washington level, the overwhelming majority of cattle producers will be completely broke within six months. Legislation passed during the last session providing loans for distressed cattlemen simply just isn't adequate. The time must be extended to a minimum of ten years at a lower interest rate. We feel we should at least be treated as well as foreign countries on this matter.

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Price per cow unit

Taxes	$6.00
Protein feed	25.00
Hay	10.00
Bull service	10.00
Labor	7.50
Grass lease	13.04
Interest	17.39
Fertilizer	9.13
Pickup depreciation	3.20
Mileage—6,000 at 10 cents	2.60
Vaccine and vet bills	3.50
Mineral and salt	1.50
Subtotal	108.86
Loss	[1] 7.30
Total	116.16

[1] On a 230-cow operation, this will be for calendar year 1975 a loss of $7,396.80, figuring no labor from the owner.

The CHAIRMAN. The next witness is Mr. Russell Schools, vice chairman, Virginia Peanut Growers Association.

STATEMENT OF RUSSELL SCHOOLS, VICE CHAIRMAN, NATIONAL PEANUT GROWERS GROUP, CAPRON, VA.

Mr. SCHOOLS. My name is Russell C. Schools, executive secretary of the Virginia Peanut Growers Association. I am appearing today as vice chairman of the National Peanut Growers Group. Our chairman, Mr. Emmett Reynolds of Georgia, was unable to be here because of a prior commitment.

The National Peanut Growers Group is a federation of the Nation's 12 State and regional peanut producer organizations whose collective memberships represent some 60,000 farm operators and additional thousands of farm families engaged in peanut production in the Virginia-Carolinas, the Southeast, and the Southwest.

The 12 organizations composing the National Peanut Growers Group are: Alabama Peanut Producers Association, Dothan, Ala., Florida Peanut Advisory Council, Williston, Fla., GFA Peanut Association, Camilla, Ga., Georgia Agricultural Commodity Commission for Peanuts, Tifton, Ga., New Mexico Peanut Growers Association, Portales, N. Mex., North Carolina Peanut Growers Association, Rocky Mount, N.C., Oklahoma Peanut Commission, Madill, Okla., Oklahoma Peanut Growers Association, Eakly, Okla., Peanut Growers Cooperative Marketing Association, Franklin, Va., Southwestern Peanut Growers Association, Gorman, Tex., Texas Peanut Producers Board, Gorman, Tex., Virginia Peanut Growers Association, Inc., Capron, Va.

The National Peanut Growers Group provides a unified voice for dealing with legislative and other issues related to the peanut industry. I should state that our views reflect a compromise on some points, and that our position is not rigid and dogmatic. Furthermore, I believe that our views on most of the major issues are shared by other segments of the industry—shellers, brokers and manufacturers—although there may be differences on certain points.

Beginning in 1973, the Secretary of Agriculture made a concerted effort to bring about modifications in the basic peanut program. Generally speaking, he has asked for changes which he claims would reduce program cost and which would provide for unrestricted production above present allotments and marketing quotas.

Our group has negotiated with USDA in good faith in the consideration of proposed modifications. Some progress has been made in narrowing our differences. In fact, legislation seeking to compromise our differences—and which we thought carried USDA endorsement—was introduced in the House last year and was scheduled for hearing before the House Agriculture Subcommittee for Oilseeds and Rice. On the day before the hearing, however, the Secretary advised the chairman of the House Agriculture Committee that the Department would not support the legislation and no further action was attempted at that time.

Mr. Chairman, I want to make it clear from the outset that the Nation's peanut farmers like the existing peanut program. We feel that it has well served not only the producer, but the entire peanut industry and the consumer. It contains two basic elements.

First, production is based on allotments and quotas, with penalties for marketings above the quotas. There is a national minimum acreage allotment of 1,610,000 acres. Second, price supports, within the range of 75 to 90 percent of parity, protect and stabilize farm prices.

The record of the peanut industry while this program has been in effect is excellent. From 1952 to 1973, production rose by 156 percent. Yield per acre increased by 147 percent. Gross farm value of the crop rose by 297 percent. Domestic food use increased per capita by over 40 percent, and in total by more than 80 percent. Annual exports climbed from near zero to more than 300,000 tons, all commercial sales for dollars. Real farm prices—that is actual farm prices for peanuts adjusted for changes in value of the dollar—are down by more than 25 percent. There has been an abundant supply of low cost, high quality peanut products continuously available, with no skyrocketing of prices like that on several commodities over the past 2 years.

Peanuts provide excellent food values for U.S. consumers. Salted peanuts and peanuts used in candy sell for much lower prices than competitive nuts—almonds, walnuts, pecans, cashews, and other nuts. Peanut butter is one of the very best values among all protein foods.[1]

Cost of the program to the U.S. Treasury has been relatively low. As a percentage of the farm value of the crop, cost averaged 14 percent in the years 1960–72. This is less than the similar cost percentages for corn, cotton, wheat, and rice.

The cost of the peanut program has fallen sharply since 1972. That year, the cost was $55 million. In 1973, the peanut program cost dropped to about $4 million, less than 1 percent of the value of the crop.

The cost of supporting the 1974 crop is still anybody's guess. It could have been low also, except for a deliberate policy of USDA in refusing to sell CCC-held stocks at less than support levels. The final cost of the 1974 crop will depend largely on world oil price trends over the next few months.

[1] See exhibit 1; p. 985

Senator DOLE. Is there a peanut reserve?

Mr. SCHOOLS. Not as such. The 1,610,000 acres is sufficient to take are of the domestic needs, plus a little extra in case there is a crop ailure in any of the three areas. We have sufficient quantity to take are of situations.

Senator DOLE. If they sold it at less than support price, what would hat have done to the market?

Mr. SCHOOLS. It does not affect the return to the producer. It does iot depress the market.

TATEMENT OF JAMES E. THIGPEN, NATIONAL PEANUT GROWERS GROUP

Mr. THIGPEN. The volume involved is equivalent to a third of 1 ercent or less of world fats and oils and protein meals production. It noves into the market with no problem.

Senator DOLE. No problem for the producers?

Mr. THIGPEN. For the producer, or the market as a whole, and its npact on peanuts from 1 year to the next.

Senator CLARK. Is there a surplus?

Mr. THIGPEN. Within a crop, to a degree, which is a safety factor.

Senator DOLE. Minimal, then?

Mr. THIGPEN. Minimal in a way, but it is an issue.

Senator DOLE. Is this an area of your expertise when you were in he USDA?

Mr. THIGPEN. Yes.

Senator CLARK. You say there is no surplus?

Mr. THIGPEN. If you want to use the word surplus, there is a surplus vithin each crop above the domestic food requirement. You can call t a reserve, if you wish. It moves readily into the secondary market or crushing and export, but at a cost, when the prices on that side are elow the domestic price.

Mr. SCHOOLS. This change could very well result in a cost to the Treasury of the United States of $100 million for the 1974 crop. Specifically, the Secretary, contrary to industrywide advice and common sense, announced that peanuts acquired on the price-support program not needed for domestic use would not be sold for crushing and export at prices below support levels. As a consequence, the Department faces high costs for relocating, restorage, and deterioration; costs that the Secretary seems to justify by a rather strange line of reasoning. This was restated again by the Secretary last Friday, at a meeting of the Department's National Peanut Advisory Committee. The Secretary said, in effect, that the costs involved in holding these peanuts would cause a stink in Washington. This action may constitute willful maladministration.

One of several proposals advanced by USDA over the past 3 years s to extend the target price concept to peanuts. The growers, and on his we have total unity, are unalterably opposed. Our opposition to he target price plan for peanuts is twofold.

Senator DOLE. You are one of three crops left with allotments. could not grow peanuts without allotments.

Mr. THIGPEN. Right.

Senator DOLE. You do not want anybody else to grow peanuts?

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Mr. SCHOOLS. It will upset the relationship of volume and price. It is one of the allotted crops from the old act, yes, sir.

Mr. THIGPEN. The grower position on this point will be explained a little further on, sir.

Mr. SCHOOLS. Our opposition to the target price for peanuts is twofold. First, either the cost to the Government would be excessive if the target were set near the present support level, or farmer income would be reduced drastically if the target price were pegged substantially below the existing support price.

Under a target price program, in a year when the world market for peanuts falls below the target price, cost will be incurred by payments on all of the eligible production. Under a support program, cost will be incurred by loss on the fraction of the eligible production in excess of domestic food requirements. Thus, with a payment rate of $100 per ton and eligible production of 1,600,000 tons, cost for target price payments would be $160 million. By contrast, if 25 percent of the total production of 1,600,000 tons were in excess of food requirements, cost under a support program would be $100 per ton on 400,000 tons for a total of $40 million.

Second, those who propose the target price system for peanuts assume, erroneously, that program administrative processes suitable for grains and cottons are suitable for peanuts. There are two major distinguishing factors. First, peanuts are produced for two distinct markets where they have widely different competitive values. Peanuts used for food compete, as roasted and salted nuts, against pecans, cashews, almonds, walnuts, and other nuts, all of which sell at much higher prices than peanuts. Peanut butter at 60 cents to 70 cents per pound competes with meats, cheeses, and other items above $1 per pound, and is a relatively low-priced, excellent food. Peanuts crushed for oil and meal enter a market that includes the whole world complex of oilseeds, fats, and oils, and protein meals, vegetable, animal, and marine. The entire U.S. peanut crop, if moved into this market, would be only about 1 percent of the total. The value of U.S. peanuts in this market is far below their value for domestic food use.

Furthermore, peanuts are not a fungible commodity. The commercial trade does not provide warehouses and elevators where the individual farmer can store his peanuts and obtain a warehouse receipt on which he can obtain a bank loan and against which he can subsequently sell a stated grade and quantity of peanuts. These services are not provided because of the nature of the commodity. Each lot of peanuts, when delivered by the farmer, is a mixture of quality factors. Grading is difficult. Peanuts cannot be carried satisfactorily from one crop year to another. They deteriorate in storage—in varying proportions from warehouse to warehouse, from one area to another and from one year to another. Before moving into food use they require milling with separation into various grades and qualities.

For peanuts, unlike cotton and the grains, the farmer needs assistance in obtaining inspection, storage, and financing until the peanuts can be sold in an orderly manner. This entails mixing or pooling of peanuts from many farms.

The farmer also needs assistance in the marketing of his peanuts as he generally cannot store and later obtain delivery of his peanuts for sale from the storage warehouse.

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With price support loans and related operations, the farmer has an effective means of obtaining the value of his peanuts in the primary food market and a means for moving any production above food requirements into the secondary crushing and export market in an orderly manner. Prior to the adoption of the current CCC resale policy for peanuts, production above domestic food requirements moved freely and completely each year at its value for crushing and export. Exports for food use are increasing and are bringing prices above those for crushing.

The target price approach would afford no means for the orderly movement of peanuts into these two distinct markets. It would result in disorderly marketing with prices at minimum rather than maximum levels relative to the value of the commodity.

Mr. Chairman, let me reiterate that the growers prefer to retain the existing peanut program. However, if this committee concludes that modifications are advisable, then we believe a two-price system is the best alternative that has thus far been proposed.

Under a two-price system, allotments would be reduced gradually, say at 4 percent per year, to a level that would result in a total production from allotted acres of not less than domestic food requirements plus a reserve of 25 percent. This should keep program costs at moderate level. Support on allotment production for domestic food use should be at not less than 70 percent of parity (net to the producer) nor more than 90 percent of parity in the first year of the revised program, with adjustment each year therafter by the index of prices paid.

Production beyond allotment acreage would be unrestricted, but would be marketed only for crushing and export with support at the lower of (1) 60 percent of the loan for allotment peanuts or (2) 90 percent of the estimated world market price. Nonallotment peanuts of each type would be available for food use if needed.

In summary, this is the position of the National Peanut Growers Group:

1. Growers strongly prefer the present peanut program. However, if the committee concludes that the program should be modified we will cooperate fully in trying to develop sound changes.

2. Growers consider the target price concept totally unsuitable for peanuts.

3. A two-price system is the best alternative thus far proposed.

4. The peanut industry and consumers should be protected by providing in any new legislation for reversion to the program now in existence, should the new program be allowed to expire.

5. Lease, sale, and transfer of allotments should be explicitly authorized in the law—not authorized at the discretion of the Secretary as now provided.

6. Price support operations through grower associations has been efficient and effective over the years and should be provided for by law.

Thank you, Mr. Chairman. I will be pleased to try to answer any questions the committee may have.

The CHAIRMAN. How long has the peanut program been in existence?

Mr. THIGPEN. It was enacted, I think, in 1940. The program in its present form has been operating since 1952.

The CHAIRMAN. A referendum annually by the peanutgrowers?

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Mr. THIGPEN. Yes.

The CHAIRMAN. What was the last vote?

Mr. THIGPEN. It was 97 percent.

The CHAIRMAN. Has any Secretary of Agriculture, in all that period of time, wanted to change the peanut program?

Mr. THIGPEN. In terms of action to reduce the cost of the program coming out of the production above the domestic food requirement, yes.

The CHAIRMAN. How much did it cost the Government last year?

Mr. THIGPEN. About $4 million.

The CHAIRMAN. Out of a gross of how much?

Mr. THIGPEN. $500 million.

The CHAIRMAN. Less than 1 percent. I believe historically, peanuts have been one of the lowest cost to the Government, based on the value of the crop, of any of the other commodities; lower than cotton, lower than wheat, and lower than corn.

Mr. THIGPEN. Yes.

The CHAIRMAN. What about tobacco?

Mr. THIGPEN. No, sir.

The CHAIRMAN. The tobacco program has been the least costly. The peanut program has been the next least costly. Is that correct?

Mr. THIGPEN. Yes.

The CHAIRMAN. As I gather the thrust of Mr. Schools' argument here, you are in favor, and all the industry is favoring, keeping the present program. I believe that one time you were discussing with the Secretary various alternatives. I believe the industry had reached some kind of tacit agreement with Secretary Butz that they might negotiate on that basis, and testified over on the House side: and the Secretary retracted his statement affirming that particular program.

Mr. SCHOOLS. He withdrew his support, and they would not support the legislation; yes, sir.

The CHAIRMAN. Do you know what the Secretary's attitude is now? Are there still negotiations going on between the Secretary and the peanut industry?

Mr. SCHOOLS. We were here Friday. I, as a member of the USDA Peanut Advisory Committee under the ASCS at that time. The statements by the Secretary, the Assistant Secretary, and the Administrator were that they wanted one thing for peanuts, a target price. They wanted to completely open-end it, so anyone in the country could grow peanuts in any market they could find.

The CHAIRMAN. That would destroy the value of the peanut program, would it not?

Mr. SCHOOLS. Very drastically.

The CHAIRMAN. Destroy the land?

Mr. SCHOOLS. Completely.

The CHAIRMAN. Destroy the ability of the peanut farmer to borrow the money to grow their crop?

Mr. SCHOOLS. Absolutely.

The CHAIRMAN. Please keep the committee informed of your negotiations with the Secretary. Senator Dole?

Senator DOLE. I wonder if we could have, for the record, of the cost of the peanut program for each of the 10 years.

Mr. SCHOOLS. Here it is.[1]

[1] See p. 986.

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Senator DOLE. It went to $97 million in 1972. What caused that?

Mr. THIGPEN. A good crop and a very low price for oil and meal worldwide. When the fraction of the crop above the domestic food requirement moved at the low oilmeal value, the loss was large. The yield per acre is increasing somewhat faster than domestic consumption, so cost is a continuing problem, a continuing issue.

Senator DOLE. How many acres of peanuts are there?

Mr. SCHOOLS. 1,600,000.

Senator DOLE. How many peanut producers?

Mr. SCHOOLS. 60,000.

Senator DOLE. What is the average allotment?

Mr. THIGPEN. Between 25 and 30 acres.

Senator DOLE. What is a big peanut operator?

Mr. SCHOOLS. Anything over 100 acres.

Senator DOLE. Anything over 100 acres?

Mr. THIGPEN. Yes.

The CHAIRMAN. They have peanuts in Oklahoma, do they not?

Senator BELLMON. You bet your life; the best in the world.

Senator DOLE. I know the controversy. You stated there never has been any effort to change the program. There has been an effort over the years to get a lid on the cost.

Mr. THIGPEN. Correct. That would have involved a change in the program. It was discussed in 1968, as I recall. Our hangup in negotiating with the Department now is not on the cost. It is on the question of how the program can be modified to deal with the question of production beyond the domestic food requirements. The growers have worked very hard on this. They have come up with what you might call the least bad alternative, which is explained, if the committee feels a change is in order—not that growers want to change it.

Senator DOLE. The costs have pretty well stabilized now at $4 million or $5 million?

Mr. THIGPEN. I could not be honest if I did not say that it is likely to go back up again when the oil-meal prices worldwide go down. I would not wash out the possibility of a rise in cost.

Mr. SCHOOLS. If I may make one point in regard to this cost, what we are looking at right now; we have 394,000 tons of CCC-held stocks that are in warehouses in the country. This is usually the cost of the peanut program; the cost between what CCC loaned money on these peanuts and the value at which they were sold. This difference is the difference of the cost of the peanut program, as you see on the left-hand side of the page. The Secretary set a policy this year that these would not be sold unless they brought the support level. So, we are sitting on this bomb. If they let those peanuts sit there, and do nothing, they would deteriorate, and could cost the Treasury over $100 million this year. If those peanuts were sold today, on today's oil market, we are talking in terms of maybe losing $30 million this year, $35 million. Had they been sold earlier, we may have been talking $5 million to $10 million.

The Secretary himself imposed this administrative change, stating that these peanuts could not be sold as they had been in the past; would not be sold unless they brought the support level. So they are sitting there deteriorating.

Senator DOLE. As a part of the effort to reduce the cost?

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Mr. SCHOOLS. If they sit there and deteriorate——

Senator DOLE. As it turned out, it increased. It could have gone the other way.

Mr. THIGPEN. Unlikely.

Senator DOLE. We are going to meet with the Secretary at noon today, and see what stage the negotiations are in. I know Senator Bellmon will be there.

Mr. THIGPEN. I would like to say that the growers are quite willing to negotiate. They have no difficulty with dealing with the cost problem. The issue relates to one thing. The growers have tried every way they could.

Senator DOLE. Who is the stumbling block?

Mr. THIGPEN. It is the rigid position taken by the Secretary.

Senator DOLE. Who is giving him advice?

Mr. THIGPEN. This is what I cannot figure out.

Senator DOLE. Maybe he is not getting any.

Mr. THIGPEN. It reflects his basic philosophy, in all fairness.

The CHAIRMAN. Senator Allen?

Senator ALLEN. No questions.

The CHAIRMAN. Senator YOUNG?

Senator YOUNG. Are peanuts being used in school lunch programs?

Mr. THIGPEN. Peanut butter, yes.

Senator YOUNG. Very much?

Mr. THIGPEN. It is being used; not very much—5 million or 6 million pounds.

Senator YOUNG. The reason why I ask that question; I have a nephew who practically grew up on peanut butter sandwiches, grew up to be a big, healthy man. It must be a good food.

Mr. THIGPEN. It is.

Senator YOUNG. That is all.

Senator DOLE. Could we make this a part of the record?

The CHAIRMAN. Without objection, the chart given by Mr. Schools will be made a part of the record.

Senator Bellmon?

Senator BELLMON. One of the questions that is going to be before this committee, and before the Congress, is whether we should establish a food reserve, if the Government should own a quantity of grains. Would you like to see peanuts included in that program?

Mr. THIGPEN. The only practical way to have a reserve of peanuts is to have production in each crop somewhat above the domestic food requirement. We are looking to the food side, which is our interest. It is impractical to physically carry peanuts from one crop year to another.

Mr. SCHOOLS. It will not work well in the storage area.

Mr. BELLMON. Could it be processed into peanut butter?

Mr. THIGPEN. It would be costly and impractical. It would be more sensible to have a few above the domestic food market requirements that would readily move into the secondary market.

Senator BELLMON. Your answer is, you do not want it to be in the food reserve?

Mr. THIGPEN. Not in the carryover sense. It would be impractical.

Senator BELLMON. The second point is, you do have certain research efforts going on to find new uses for peanuts. Has there been

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any product developed that is suitable for shipping into areas where there is a threat of famine. I am thinking like something of wheat-soy blend that has been worked out. That does provide protein, and food values other than just grain. Do you have anything like a wheat-peanut blend that has been developed?

Mr. THIGPEN. It would be possible to use the protein from peanuts, in the sense that soy protein is used. As a practical matter, if we have the peanuts, it is probably not profitable to try to move them in that manner, if we look at our overall burden of costs of trying to provide food for these people.

Senator BELLMON. Peanuts are more costly than soybeans. Is this right?

Mr. THIGPEN. In the availability of supply and the alternative outlet, in general, yes, sir.

Senator BELLMON. No further questions.

The CHAIRMAN. Any questions, Senator Helms?

Senator HELMS. No, sir.

The CHAIRMAN. Thank you for your contribution in the committee's deliberations.

[The following information was referred to on p. 978.]

EXHIBIT I.—COST OF 20 GRAMS OF PROTEIN FROM VARIOUS SOURCES JANUARY 1974 AND AUGUST 1973

Rating (January 1974) and food [1]	Market unit	Price per market unit (cents)		Part of market unit to give 20 grams of protein (percent)	Cost of 20 grams of protein (cents)	
		January	August		January	August
1. Peanut butter (2)	12 oz	56	52	23	13	12
2. Dry beans (1)	Pound	57	29	24	14	27
3. Bean soup, canned (4)	11.5 oz	20	18	96	19	17
4. Chicken, whole, ready to cook (14)	Pound	59	92	37	22	33
5. Milk, whole fluid (5)	Half gallon	76	65	29	22	19
6. Eggs, large (10)	Dozen	93	97	25	24	25
7. Tuna, canned (7)	6.5 oz	54	50	44	24	22
8. Sardines, canned (6)	4 oz	26	23	94	24	22
9. Hamburger (11)	Pound	102	104	24	25	25
10. Beef liver (9)	do	103	98	24	25	24
11. Chicken breasts (17)	do	101	140	25	26	37
12. American process cheese (8)	8 oz	71	60	38	27	23
13. Pork, picnic (13)	Pound	89	92	32	29	38
14. Turkey, ready to cook (12)	do	84	80	35	30	28
15. Ham whole (15)	do	124	122	29	38	35
16. Round beefsteak (19)	do	177	188	22	39	41
17. Ocean perch, filet, frozen (16)	do	112	101	36	40	37
18. Pork loin roast (26)	do	123	152	33	41	51
19. Rump roast of beef, boned (22)	do	173	182	26	44	47
20. Liverwurst (21)	8 oz	75	73	60	45	43
21. Frankfurters (23)	Pound	125	129	36	45	47
22. Ham, canned (20)	do	189	171	24	45	41
23. Salami (24)	8 oz	95	99	50	48	47
24. Sirloin beefsteak (28)	Pound	173	187	28	49	53
25. Chuck roast of beef, bone in (18)	do	139	114	35	49	40
26. Rib roast of beef (27)	do	156	160	33	51	53
27. Haddock, fillet, frozen (25)	do	148	136	35	52	48
28. Pork chops, center cut (30)	do	168	196	35	57	68
29. Bologna (29)	8 oz	82	81	73	59	59
30. Pork sausage (32)	Pound	127	137	52	66	74
31. Porterhouse beefsteak (33)	do	208	217	34	68	73
32. Veal cutlets (31)	do	330	325	21	71	69
33. Lamb chops, loin (34)	do	232	241	31	71	74
34. Bacon, sliced (35)	do	139	161	52	73	85

[1] Number in parentheses; rating for August 1973

PEANUT PROGRAM—COSTS

Year [1]	CCC net realized loss (thousands)	Harvested acres		Value of production [2]		Farms with allotments	
		Acres (thousands)	Average loss per acre	Total (thousands)	Loss (percentage)	Number	Average loss per allotment farm
1955–56	$9,250	1,669	$5.54	$181,985	5.1		
1956–57	16,829	1,385	12.15	179,922	9.3	118,500±	$142±
1957–58	11,037	1,481	7.45	148,855	7.4		
1958–59	17,458	1,516	11.52	192,979	9.0		
1959–60	13,224	1,435	9.22	145,842	9.1	118,053	112
1960–61	18,902	1,395	13.55	171,991	11.0	116,008	163
1961–62	12,122	1,398	8.67	181,543	6.7	11,1058	109
1962–63	21,161	1,400	15.12	189,314	11.2	105,823	200
1963–64	28,315	1,396	20.28	217,788	13.0	98,145	288
1964–65	30,543	1,397	21.86	235,006	13.0	93,840	325
1965–66	44,201	1,438	30.74	272,391	16.2	92,151	480
1966–67	43,776	1,421	30.81	272,861	16.0	90,334	485
1967–68	48,231	1,404	34.35	282,107	17.1	89,380	540
1968–69	38,757	1,438	26.95	303,726	12.8	88,427	438
1969–70	35,891	1,456	24.72	312,358	11.5	86,772	415
1970–71	66,324	1,467	45.21	382,503	17.3	85,202	778
1971–72	[3] 97,287	1,454	66.91	408,371	23.8	84,081	1,157
1972–73	[4] 58,518	1,486	39.38	475,367	12.3	82,083	713
1973–74	4,845	1,496	3.24	562,931	.9	78,943	61

[1] CCC net realized loss for fiscal year July 1–June 30; other data for marketing year Aug. 1–July 31.
[2] Data for 1950–60 and subsequent years revised per SB–404 and subsequent Crop Reporting Board publications showing value of production on a net weight basis.
[3] Excludes loss of $15,441,763 on peanut butter purchases.
[4] Excludes loss of $2,033,778 on peanut butter purchases.

The CHAIRMAN. The next witness is Mr. Wheeler Foshee, Red Level, Ala.

Senator ALLEN. I would like to present to the committee Mr. Wheeler Foshee, a good friend of mine and a constituent. He is from Red Level, Ala., down near the Florida line. He is a farmer who engages in just about every kind of farming operation that is carried on in south Alabama. Wheeler raises cotton, soybeans, peanuts; has cattle, hogs. He is also familiar with the views of the farmers in south Alabama. As a matter of fact, he helped us get together an area meeting of farmers just recently. I have held five such meetings in Alabama. I was not able to attend the one in Covington County that Mr. Foshee was connected with because of the cancellation of the Lincoln's Birthday recess. I know the committee will be interested in his views, and I believe they will be the views that are held by our farmers in south Alabama.

The CHAIRMAN. Thank you very much, Senator, and please proceed, sir.

STATEMENT OF WHEELER FOSHEE, RED LEVEL, ALA.

Mr. FOSHEE. Mr. Chairman and gentlemen of the committee, the first thing I would like to say is I am not a professional witness. I am a real farmer. I may say some things that I should not say.

Senator DOLE. We do that all the time.

Mr. FOSHEE. Anyway, it is a privilege for me to have this opportunity to bring my views to this committee on this date. As Senator Allen has stated, my name is Wheeler Foshee, and I am a farmer, and I live in a little town of 650 people in Red Level, Ala., which is in extreme south Alabama. I grow peanuts, cotton, soybeans; also in the cattle and hog business. In addition to that, I am in the

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peanut drying and shelling and processing business. I have a couple cotton gins I wish I did not have. I also operate a feed, fertilizer, and seed store.

In contrast to some of the witnesses that preceded me here, I claim to represent nobody but myself. I think probably, though, that I represent the views of the peanut farmers in my area of Alabama.

As the gentleman just ahead of me stated, I think also the peanut program is a good one. I think that the Secretary of Agriculture could conceive of no devices that would cost the U.S. Government any less money than the peanut program we now operate under.

Mr. Chairman, and gentlemen of the committee, it is my firm conviction, and I would like to express it with all the sincerity I can muster, that I sincerely believe from the inception of the U.S. Department of Agriculture and all the Secretaries of Agriculture over the years we are now experiencing, from the farmers to the consumers, the worst possible exhibition of administrative ability by Secretary of Agriculture, Mr. Butz.

Gentlemen, I believe Mr. Butz is very sincere and truly believes in his philosophy of a true enterprise system for the American farmers. As anybody knows over the age of 25 it is impossible to have a truly free enterprise system in this age in any regard, not only agriculture or anything else.

I realize, Mr. Chairman and gentlemen of the committee, that it is really easy for anyone to criticize Mr. Butz because he has hardly had his foot out of his mouth since he became Secretary of Agriculture. The program we now operate under——

Senator ALLEN. If you would yield for a moment, I might state, especially in view of the fact that we are going to see the Secretary a little later on, that the witness' views do not necessarily coincide with the views of the Senator of Alabama.

Mr. FOSHEE. That is very true.

Senator DOLE. If you would like to stay over and touch them all, the Secretary will testify. You would have a chance to visit with him.

Mr. FOSHEE. I would like to meet the gentleman. I would like to try to understand some of his problems. I know he has a lot of them, Senator Dole. I cannot understand why he wants to change the peanut program. All peanut producers I know are at a complete loss as to why Secretary Butz insists on changing a good program that is costing practically nothing. However, it could cost.

Senator DOLE. He may not change the peanut program, but he does have a lot of problems. Every Secretary of Agriculture when prices start going down, has problems. When prices go up, they are great. They get standing ovations. When prices go down, they are sort of left standing.

Mr. FOSHEE. I would agree with that.

The CHAIRMAN. In an inflationary spiral, he has problems with the consumers, too.

Mr. FOSHEE. The program we now operate under is a program that you gentlemen put through Congress, Senator Talmadge, Senator Allen, and Senator Dole. I do not know whether you voted for it or not.

Senator DOLE. I voted for it.

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Mr. FOSHEE. I believe the U.S. Department of Agriculture, under the present administration, can continue to try to butcher our peanut program for one expressed purpose: to enact their own program, which would, in my opinion, drive prices down to farmers, increase governmental cost, and drive prices up for the peanut product to the consumer.

In the opinion of most farmers that I have come in contact with, Secretary Butz and his administration have been successful in driving almost every farm price for products all the way to the very bottom at farm level, and all the way to the very top at the consumer level. The present peanut program is the only exception.

In my section of the country, the only reason peanut farmers are doing a little bit better incomewise than the rest of the farmers is due to the fact of the present peanut program.

I, therefore, Mr. Chairman and gentlemen of the committee, ask you to resist this onslaught of our peanut program, and I would like to thank you for this opportunity to appear here.

I would like to make one statement here. As the gentleman ahead of me pointed out, we have in storage something like 400,000 tons of peanuts. I am afraid, Senator Allen, that Secretary Butz is using this surplus, not surplus peanuts, if they were marketed in an orderly fashion, they would not be surplus, but they are surplus at the time being, that he is not trying, in my opinion, to market these peanuts, Senator Talmadge, in an orderly fashion, due to the fact when they put peanuts up for bid, he resists all bids in most cases.

These peanuts will only store in the farmstock so long before they get bugs in them. We are under contract with the Georgia-Alabama Peanut Association to keep the bugs out of them. But in the warehouse it is almost an impossibility to keep infestations and worms out of the peanuts even though we have all these chemicals to use.

The CHAIRMAN. What you are saying is the crop is perishable. If you hold it for an indefinite length of time, it will deteriorate to the loss of the Government.

Mr. FOSHEE. Yes, sir. You are talking about $160 million worth of peanuts. It would be an impossibility. I hope we would lose all of it, but we could lose—the longer we hold them, in my opinion, the more we stand to lose on these peanuts.

I would recommend this committee and Senator Allen that you talk to the Secretary, if you can, today at lunch.

The CHAIRMAN. Thank you very much. Any questions?

Senator DOLE. You do raise a good question on the 400,000 tons, which, I think we can discuss at noon. I do not know what the answer is. I assume that is all kinds of peanuts.

Mr. FOSHEE. Yes, sir.

Senator DOLE. What kind do you raise in your area?

Mr. FOSHEE. We raise what we call florunner peanuts, high oil type peanuts that we sell for peanut butter mostly in the Southeastern part of the United States—Georgia, Florida, and Alabama.

Senator DOLE. Are there a lot of that type peanut in those 400,000 tons?

Mr. FOSHEE. Yes, a lot of them.

Senator DOLE. That is all I have.

The CHAIRMAN. Any further questions?

Senator Allen.

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Senator ALLEN. I want to express my appreciation to Mr. Foshee for giving of his time to come to Washington to give the committee the benefit of his views and experience in this area. He certainly made a valuable contribution to the mission of the committee. Mr. Foshee, you are a mighty fine witness.

Mr. FOSHEE. Thank you, Senator.

The CHAIRMAN. Senator Bellmon.

Senator BELLMON. What is a ton of peanuts worth these days?

Mr. FOSHEE. $575 a ton.

Senator BELLMON. Farmer's price?

Mr. FOSHEE. Yes, sir.

Senator BELLMON. How much does it cost you?

Mr. FOSHEE. $300 an acre.

Senator BELLMON. A ton?

Mr. FOSHEE. $375.

Senator BELLMON. What does it cost you on the average for a ton of peanuts?

Mr. FOSHEE. $300 an acre.

Senator BELLMON. How much a ton?

Mr. FOSHEE. Oh, my yield is about a ton, so that is about $300 an acre, $300 a ton.

Senator BELLMON. Do you grow these florunner peanuts?

Mr. FOSHEE. Yes.

Senator BELLMON. What has that done to your yield?

Mr. FOSHEE. It has increased it.

Senator BELLMON. What percent?

Mr. FOSHEE. I do not know about the percent. About 400 pounds per acre.

Senator BELLMON. You went from 1,600 pounds to 2,000.

Mr. FOSHEE. Yes; that is right. That is based over a 5-year period of time.

Senator BELLMON. Has this brought your costs down?

Mr. FOSHEE. No, sir.

Senator BELLMON. It costs you as much to run a ton of florunners?

Mr. FOSHEE. The cost would be the same on any type variety of peanuts in my section.

Senator BELLMON. I do not understand. If you sell them by the ton, do you get less for florunners?

Mr. FOSHEE. No, sir. You get less for florunners than you do other types or Virginia-type peanuts or Spanish. They are a differential in the price that they bring to the farmer at the time he sells, but no difference in my particular area, no difference in the cost of production on, say, a Spanish-type peanut than a runner-type.

Senator BELLMON. I am not a peanut grower; I raise wheat. If I could get my wheat crop to go up 20 percent in yield, my costs would come down.

Why does this not work for peanuts?

Mr. FOSHEE. Because of fixed costs of chemicals, the fertilizer, land, everything the farmer uses, tractors, all that sort.

Senator BELLMON. That is the same whether you are growing a 1,600 pound yield or 2,000 pound yield.

Mr. FOSHEE. I do not quite understand, Senator.

The CHAIRMAN. The witness must be talking about the acreage costs and Senator Bellmon is talking about the unit costs.

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Mr. FOSHEE. You would be correct, Senator, yes, sir, if you are talking about unit costs.

Senator BELLMON. The price of raising a ton of peanuts has gone down since you started growing florunners.

Mr. FOSHEE. I guess you might say that, yes.

Senator BELLMON. The other question I want to raise—I do not want to take much time here—you indicated that Secretary Butz is holding this 400,000 pounds of peanuts off the market. As long as he has those peanuts, I assume the market will be rising. Is that your point?

Mr. FOSHEE. My point is, my opinion is, he wants to change the program so bad, he will drive the cost of the Government of driving the price up from $5 million to $100 million. The figure the gentleman gave you this morning is 1973. Now the 1974 program costs have not been computed yet because we still have all the crop on hand.

If Secretary Butz holds these peanuts until the value of the commodity goes down, then the Government is going to lose more money. Then he can, in turn, come to you gentlemen in the Congress and say, look, this program costs $100 million to operate. It was all his doing by not, in my opinion, by not going ahead and marketing these peanuts in an orderly fashion at the price that they will sell for in order not to lose so much money.

Senator BELLMON. Do you want to see peanuts added to any food reserve we set up?

Mr. FOSHEE. As it was pointed out, it would be difficult to do. However, if they are shelled and stored in cold storage, it would be possible and the answer would be yes, I would like to see it.

Senator BELLMON. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much. We appreciate your appearance here.

The next witness is Mr. G. C. Davis, president, Southeastern Peanut Shellers Association, Arlington, Ga. It is a privilege indeed to welcome to the committee an old friend and constituent.

My apologies for having to leave but I have an engagement. I may not be able to stay through your entire testimony.

STATEMENT OF G. C. DAVIS, PRESIDENT, SOUTHEASTERN PEANUT ASSOCIATION, ARLINGTON, GA.

Mr. DAVIS. My statement will be very brief. I am accompanied by several sheller associates in the Southeast.

The CHAIRMAN. Are you speaking today as a representative of all the peanut shellers associations?

Mr. DAVIS. Yes.

The CHAIRMAN. They have met and have confirmed your statement.

Mr. DAVIS. Yes, sir.

I appreciate being granted this opportunity by the committee to testify on behalf of my association.

My name is G. C. Davis, president, Arlington Oil Mills, Arlington, Ga. I am an active member of the Southeastern Peanut Association and currently serve as its president.

A nonprofit trade association formed in 1919, the Southeastern Peanut Association is the oldest organized group in the peanut

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industry. It is composed of 46 member firms which operate some 65 commercial peanut shelling and crushing plants in rural communities scattered throughout the Coastal Plains of Alabama, Florida, and Georgia.

Our main purpose here today is to appeal for continuation of the current peanut legislation, It is our firm opinion that the peanut price support program administered under this legislation over the years, has fulfilled, to a highly reasonable degree, the original intent and purpose of the Congress. We believe the program is now more effective than ever in meeting the following criteria:

One, a reasonable return to the farmer; two, a constant and ample supply to meet food needs of the country; three, reasonable and stable prices to the consumer; four, contributions to our Nation's balance of payments in world trade. Peanuts are sold for cash dollars. They do not move overseas under Public Law 480 nor, traditionally, under other foreign food donation programs.

Senator BELLMON. How many peanuts were exported last year for cash dollars?

Mr. DAVIS. Approximately 325,000 tons.

Senator BELLMON. How much did that amount to in dollars?

Mr. DAVIS. A value of $175,951,000.

The CHAIRMAN. Please proceed, sir.

Mr. DAVIS. No. 5, contributions to economies of rural communities. Peanuts are the key cash enterprise in farming operations of the peanut production belt, most of which has been declared by the Congress to be an economically underdeveloped area.

Six, minimal cost to Government. The low relative costs of the peanut program are explained in detail in a statement presented today by the National Peanut Grower Group.

In light of these considerations, we strongly recommend to the committee that peanut legislation now effective be retained intact. However, should it be determined by the committee that changes are needed, we, as an association, wish to be on record as being unanimously and vigorously opposed to a target price concept for peanuts, as has been previously proposed by the Department of Argiculture, for the same reasons set forth in detail by National Peanut Grower Group today.

While we feel that the existing peanut program is adequate to the current and foreseeable domestic food, crushing and export needs, we would endorse an open-ended production two-priced or blended-priced support concept, should changes have to be made, along the lines suggested in the National Peanut Grower Group statement. However, we strongly recommend that the current National Minimum Peanut Allotment of 1,610,000 acres be retained under any program. We believe this minimum to be in the best interests of all segments of the peanut industry and of the consuming public, and that such is necessary to assure adequate supply.

This completes our statement. I, along with other members of our delegation present, will attempt to answer any questions by members of the committee.

Thank you.

Senator ALLEN [presiding]. Thank you very much.

As I understand it, then, the members of your association merely want to be left alone.

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Is that right?

Mr. DAVIS. That would suit us mighty fine, sir.

Senator ALLEN. If revision of the peanut program are contemplated, you would like to register your views as to possible changes.

Mr. DAVIS. This is a broad view of our thinking as far as any new legislation. We would be glad to furnish details any time.

Senator ALLEN. Are you familiar with the reserve supply of peanuts that is under the control of the Secretary?

Mr. DAVIS. Yes, sir.

Senator ALLEN. That Mr. Foshee testified about?

Mr. DAVIS. Yes.

Senator ALLEN. What are your views in respect to marketing those peanuts?

Mr. DAVIS. I have mixed emotions. I do not think they are being marketed orderly, and possibly some move should be made in that direction.

Senator ALLEN. Do you have anything specific to suggest?

Mr. DAVIS. No, sir, I do not at this point.

Senator ALLEN. Would you be willing to give consideration to that and give us a supplemental statement as to your views on that and the views of your association?

Mr. DAVIS. Yes, sir. We would be glad to discuss that and furnish the committee with it.

Senator ALLEN. I think it might be of value to the committee.

Mr. DAVIS. We would be happy to do so.

Senator ALLEN. The record will be kept open, I am sure, for at least a week. If you would get it in.

Mr. DAVIS. We have enough people here today, so that probably in a week to 10 days we can get it back.

Senator ALLEN. Senator Young.

Senator YOUNG. No questions.

Senator ALLEN. Senator Bellmon.

Senator BELLMON. No questions.

Senator ALLEN. Senator Helms.

Senator HELMS. No questions.

Senator ALLEN. Thank you very much.

[The following material was subsequently received for the record from the Southeastern Peanut Association, Albany, Ga.:]

Observations and recommendations that follow are respectfully submitted after careful investigation, study and discussion of the market situation among the Association's leadership:

1. It is our opinion that, despite lowered demand in foreign markets due to world economic recession, buyers have remained unconvinced that CCC would hold to its sales policy of recovering 100 percent of its costs; consequently, they have cut back production and held only a very minimum inventory so far during the 1974–75 crop-year.

2. It is our firm belief that any price reduction on CCC Inventory Peanuts at this time would not only ruin the market for the balance of this year, but also pose a serious threat to the marketing of the 1975 crop.

3. History proves that export buyers will pay prices equivalent to Domestic United States Prices when peanuts are needed and a quality supply is not available

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elsewhere in the foreign market. Our estimate, based on experience over time and intense inquiry over the past few days, is that foreign markets will absorb 150,000 to 200,000 tons at, or possibly above, CCC minimum prices, provided the remainder of the inventory is disposed of without disrupting the market.

4. To accomplish this, we recommend that from 190,000 to 250,000 tons of the CCC Inventory be moved immediately through a donation program to non-peanut-producing nations in dire need of food. We further recommend most strongly that such peanuts be custom shelled and fragmented and/or custom crushed in the United States prior to shipment. This is most important, since we fear donations of this magnitude, either in the hull or as whole shelled kernels, would result in their reappearance on the foreign market, competing with the remaining CCC Inventory to disastrous effect.

5. Provided such donations are made, we recommend that the remaining peanuts held be offered for sale under the CCC Minimum Sales Policy.

In summary, we believe the foregoing recommendations for course of action to be preferable to a number of possible alternatives. Since peanuts are perishable and highly susceptible to pest infestation, reconcentration of the Inventory in storage would lead to pronounced decreases in quality and value, while posing as a dangerous depressant on New-Crop markets, both Domestic and Export. In order to achieve optimum effects, we feel the donations for humanitarian reasons, if feasible, should be announced immediately with delivery at the earliest possible time. It is important that such donations be made to non-peanut-producing nations; otherwise, recipients could clear more of their own peanuts to compete with the remaining CCC Inventory in the World Market. We wish to emphasize again that such peanuts should not be shipped either in the in-shell or shelled whole-kernel forms. The remainder of the CCC Inventory should continue to be offered under the Minimum Sales Policy for Crushing and Export.

We respectfully submit the foregoing recommendations as an addendum to the statement presented by Southeastern Peanut Association to the Committee on Agriculture and Forestry on February 19, 1975.

Senator ALLEN. Mr. Jack Hall, Virginia Farmers Union Organizing Committee, accompanied by Mr. Jay Solomon and Mr. Dick Hodges.

STATEMENT OF A. JACK HALL, MEMBER, NATIONAL FARMERS UNION, AND CHAIRMAN, ORGANIZATION COMMITTEE, WINDSOR, VA.

Mr. HALL. Mr. Chairman and members of the committee, my name is Jack Hall. I am a member of the National Farmers Union and chairman of the Organization Committee for that organization. I am a peanut producer. I have with me today peanut producers who will join me in representing National Farmers Union: Jerry Solomon, route 2, DeLeon, Tex., and Dick Hodges, route 1, Fort Cobb, Okla. With your permission, I would like to make an opening statement, and my two associates would like to join in making brief comments following my statement.

The first requirement of any country is to produce a superabundance of food and fiber. Enough to feed its own population and to export—improving our trading position—to other countries. The result of this policy and action is to release people from agricultural pursuits to engage in industry such as building houses, automobiles, farm machinery, shoes, textiles, ships, and all other things and services needed by the people.

Senator ALLEN. I am advised that the committee rule is that witnesses be limited to 10 minutes. Looking at your statement, I am sure you cannot finish in that time. I wonder if you would be willing to summarize your statement in order to conserve your time and leave some time available to the other witnesses. On my own motion, I am

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going to extend your time to 15 minutes. As to the fact that there will be two others, we will start the clock as of right now.

Mr. HALL. We can finish our statement in 10 minutes.

Public policy in the United States has, from our beginning, been rightly directed in the direction of abundance of agricultural production until today we are the greatest agricultural and industrial country in the world. This did not just happen; we planned it that way.

The U.S. involvement in agriculture dates back to the early beginning of the Nation. The need to feed a rapidly growing population and to release workers from agricultural pursuits to provide manufactured products needed and wanted by the people for domestic use and for trade, was necessary, and governmental decisions were made to assist in this endeavor because it was declared to be in the public interest to do so.

Great progress was made in the early part of the 19th century, but our greatest expansion has been in the last century, beginning in probably 1850 until now.

The Homestead Act made it possible for pioneer settlers to occupy and own land, and to develop our great Western areas for the production of food and fiber. To get this farm produce to market, our Government provided huge grants of land at public expense to build railroads so as to bring the products from these ranches and farms to the eastern seaboard.

President Abraham Lincoln's administration created the Department of Agriculture to develop public policy and direction for the Government and to help our farmers to provide the evergrowing demand for food and fiber.

Free seeds were distributed at public expense. The land-grant college system was established in the various States to train young men and women to enter agricultural pursuits as teachers and home demonstration workers. Other of these trained people went into industries that served agriculture: Manufacturing of farm machinery, and wholesaling, et cetera.

Even these efforts were not enough. The Agricultural Extension Service was formed to work from the land-grant colleges to actually go out on the farms and there to demonstrate by actually helping the farmer to apply the improved methods of farming. Young women were sent into rural and urban communities to show the homemakers methods of homemaking—canning, sewing, preserving, infant care, and food preparation—to improve the quality of living. Even primary veterinary care and assistance to livestock, and health information and dietary instructions for the people, were provided.

The continued involvement of our Government in agriculture has resulted in our becoming the greatest agricultural and industrial Nation in the world. Today we are the envy of the world.

The ability of our Nation to produce a super-abundance of food has been the means of preserving freedom in various areas of the world. In two major wars—World War I and World War II—and two lesser wars—Korea and Vietnam—we have provided billions of dollars worth of food and fiber to hungry and ill-clothed people all over the world in their terrible time of need. All at the same time the U.S. population has been adequately provided with food and fiber at much less cost in percentage of total income than any other people in the world.

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It is my belief that we in America have been well served by the Congress and the other branches of Government in this policy of abundant food production.

The solution of problem No. 1, the production of a super-abundance of agricultural production, brings on problem No. 2, low farm income. When the level of supply of any given commodity is in oversupply, prices received by farmers fall in direct relationship to the percentage of oversupply and if it is below the level of supply needed and shortages occur, prices would rapidly increase. We have evidence of this in the rapidly rising costs of certain foods while others such as peanuts continue to be stable.

I hope the Congress believes it is in the public interest to continue this policy of a super-abundance of agricultural production, and that some Government intervention is necessary to protect the consumers of agricultural production against shortages resulting in higher prices to consumers. I hope the Congress believes it is in the public interest that farm producers should also be afforded some protection when stocks build up causing severe losses in prices received by farmers.

Political leaders, both Republican and Democratic, have accepted the principle of price supports for basic agricultural commodities, but they have not agreed on what type is most adequate, efficient to the taxpayer, the consumer, and in the public interest.

We believe the present peanut program has succeeded in providing stability to the producers and to the manufacturing industry. I think, however, that the greatest benefit has been to our customer, the consumer. You can now make a peanut butter sandwich for a dime. Few, if any other high protein foods, can be bought at such a low price.

The Secretary of Agriculture has been exerting extremely high pressure to growers to adopt a new program that would, in our opinion, disrupt markets, bankrupt large numbers of peanut producers, and ultimately cost consumers and taxpayers much more for peanut products that range from candy, confectionery, and snacks to salad and cooking oils, cosmetics, and bird and livestock feeds.

Peanut shells go into fuel, fertilizer, mulch for gardening and farming, cattle feed, poultry house litter, abrasives for polishing metals, insulation for farm buildings, and crowns for beverage bottles. I could name 150 more.

Prior to 1939, the peanut industry suffered from either an abundant plus supply or very low supply. Farmers were uncertain as to what level they should plant or of the consequences of the decisions they made on income. Manufacturers could not plan on a reliable supply.

The Congress wisely decided to include peanuts in the Agricultural Act of 1939 as a basic commodity. A program was designed to assure an adequate supply of peanuts at reasonable prices to the consumer and fair prices to growers geared to parity price supports.

Adjustments have been made from time to time to improve the program and the costs have been very low to the taxpayer for diverting peanuts for oil and meal or for foreign sale to world markets when supply exceeds domestic demand. Manufacturers of peanut products have not had at any time in these last 35 years a serious shortage of supply and have said that the present 1,610,000 acres are the lowest we should go to assure that consumers will be protected with a plentiful supply of peanut products. Prices of peanuts have remained comparatively low; in fact, much lower than other foods.

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As of January 15, 1975, farmers were receiving prices for peanuts that reflected 69 percent of parity. Although cotton is not a food, it is in serious trouble resulting from changes made in their supply management program resulting in a $500 million loss to the taxpayer. This is the type program that the Secretary says he would like to see peanut growers have.

We do not think disruptions of the markets, losses to growers, and $500 million in costs on just one commodity is in the public interest.

I want to address myself to one more point before I close—Secretary Butz's apparent obsession in opposition to the acreage allotments.

When the decision was made to adjust supply to what was needed in farm production for domestic use, and for use in export, consideration was given to the huge investment in shelling, and other manufacturing plants, the farm producers investment in land, buildings, and special farm equipment designed especially for producing peanuts. The Congress decided that it was good business to use what facilities we had and not waste our resources, in both plant and equipment, and manpower to produce the Nation's peanut needs and that it would not be fair and equitable to the present people engaged in producing and manufacturing to enlarge peanut growing areas until it became good economics to do so.

A decision to conserve our resources makes sense to me. Why produce more peanuts when the Nation's needs could be supplied in the present peanut growing areas concentrated largely in the southeastern States of Virginia, North Carolina, Georgia, Florida, Alabama, Texas, and Oklahoma and southwestern States like New Mexico to a lesser amount in some other States.

The farmers then producing peanuts were given their share of the national production needs, using as guidelines the past history of acres in production on each farm. Savings were made by not producing unneeded peanuts and fewer peanut producers were financially harmed. Provisions were made for new growers, adjustments were made for increases in the national allotments either up or down to not lower than 1,610,000 acres, prices were to be supported at between 75 and 90 percent of parity.

Farmers are not afraid of Government. We like to use it for our good and the public good. Farmers cannot, by themselves, adjust production to the best economic advantage to the American people. I think that our peanut farmers can, by working together with our Government to conserve our resources in the public interest, continue the good job of providing a splendid food product at a fair price to consumers, a fair price to producers and in the quantity to meet our needs.

Senator ALLEN. Thank you.

Mr. HALL. I would like to add one thing here. We are opposed to open-end production of peanuts for foreign sales at lower prices than those to the American consumer. We do not think it is fair to the consumer, first of all. Second, it is not fair to ask the farmer to produce something below his cost of production.

Mr. Solomon here is from Texas and he has a brief statement that he would like to make.

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STATEMENT OF JERRY SOLOMON, PRESIDENT, COMANCHE COUNTY FARMERS UNION, DeLEON, TEX.

Mr. SOLOMON. Thank you, Mr. Chairman.

We appreciate this opportunity to appear and to present the views of National Farmers Union concerning the future of the peanut program.

I farm 130 acres of irrigated peanuts in Comanche County, Tex., and have been in the peanut business for the last 20 years.

The peanut program that we now have has assured the Nation an adequate supply of this commodity at a stable and fair price paid to the producer. This is why we, as producers, strongly favor the existing peanut program as voted in the last referendum by an overwhelming 97.5 percent for the present program.

While prices of other commodities have been up and down, the price of peanuts at the producer level and of peanuts and peanut products at the consumer level have reflected a level of stability which we believe is directly attributed to the peanut program.

As far back as I can remember, growers were voting in favor of a partnership arrangement with their Government to build market stability into the peanut program. A thriving and sound peanut industry from the producer to the consumer is the result.

Senator ALLEN. Thank you very much.

Mr. Hodges.

STATEMENT OF DICK HODGES, CHAIRMAN, 1974 POLICY DRAFTING COMMITTEE, OKLAHOMA FARMERS UNION, AND MEMBER, POLICY DRAFTING COMMITTEE, NATIONAL FARMERS UNION, FORT COBB, OKLA.

Mr. HODGES. Thank you, Mr. Chairman and members of the committee.

I appreciate this opportunity to make a brief statement and to join the two previous witnesses in presenting the views of National Farmers Union on the future of the peanut program.

The national policy drafting committee for National Farmers Union meeting in Denver, Colo., January 19–20, 1975, adopted a policy position on the peanut, rice and tobacco programs as follows:

> Peanut, rice and tobacco programs. These programs established 35 years ago have assured the nation adequate supplies of these commodities at stable and fair prices while lending stability to prices paid to producers. These programs embody all the basic principles that Farmers Union believes to be essential to make commodity programs work.
>
> We oppose the United States Department of Agriculture's action in suspending marketing quotas on rice and reducing alloted acres.
>
> We support the continuation of programs for these crops as they are presently constituted and their administration to assure the maximum price support permitted by law.

The peanut program, as it has been traditionally and historically administered, has been good for the farmer, for the manufacturing and processing interests, as well as for the consumer. In contrast to some of the wide swings and prices of other commodities in recent years, peanut prices have remained consistently stable at around 70 to 75 percent of parity.

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We think the program has worked to serve the national interest and we continue to support the administration of the program consistent with the statutory direction given by the Congress. The cost of the program last year amounted to virtually nothing and with sympathetic administration, the peanut programs in 1975 and following years can be administered at levels that are relatively insignificant in relation to the total agricultural budget.

As a producer of peanuts, I want to thank Chairman Talmadge and my State's Senator Bellmon and other members of the committee who have given support to the maintenance of the present program. We strongly urge you to continue to resist proposals that would weaken and destroy tested and proven principles relating to supply management and support in the peanut program.

Senator ALLEN. Thank you very much, Mr. Hodges.

Gentlemen, we appreciate the testimony that you have given. I think your statement—you gave a real fine definition of a desirable agricultural policy on behalf of our Government.

Do you feel that since the Government has urged farmers to go all out for production of foods, that the Government should share some of the risks if overproduction does cause a decline in prices?

Is that correct?

Mr. HALL. Yes, sir. I feel, if we could go a little further, I feel that a sort of social contract between our people and agricultural producers have been entered into. We did not get into all this trouble by ourselves. We had a lot of help. The help was well placed. It was needed. I agree with you.

Senator ALLEN. I notice you speak of the peanut farmer getting 69 percent of parity. I assume if he had gotten 70 percent of parity there would have been no Government payment at all.

Is that correct?

Mr. HALL. Seventy-five percent of parity. We are actually supposed to be getting 75 percent of parity. Through administrative changes made by the present Secretary of Agriculture, the cost of inspection and storage of commodity credit stored peanuts has been deducted from the 75 percent of parity. Naturally, the market level of all peanuts marketed in the country usually follows the loan price. The loan price with these deductions amounts to about 69 percent of parity.

Senator ALLEN. Right at 70 percent. The net price to the farmer is running about 70 percent.

Is that right?

Mr. HALL. That is right.

Senator ALLEN. I note that the total cost to the Government was only about $4 million last year.

Mr. HALL. That is correct.

Senator ALLEN. I was interested in your comments about the 10-cent peanut butter sandwich. I believe research on the record shows that the peanut butter gives more protein per dollar of cost than any other food.

Is that not correct?

Mr. HALL. That is correct. It is the cheapest food bargain if you look at the protein content in the world today.

Senator ALLEN. That is what so much of a hungry world is looking for today.

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Mr. HALL. A more aggressive attitude on the part of the Foreign Agricultural Service and the Department of Agriculture, in my judgment, could sell these peanuts that we are able to produce under the present peanut program. This is an asset that we have to better our balance of trade. We cannot expect the American farmer to compete in the world market with our higher costs of production. I had a chart that was supplied by the Secretary of Agriculture to the Peanut Advisory Committee showing that farmers' stock peanuts are now selling at 5½ to 7 cents per pound in Africa and India. I do not have a copy with me. I could supply it for the record. The Department Agriculture would be glad to supply a copy for you, but I am sure that the committee has had access to this report. Mr. Chairman, I have been coming to Washington many years and have appeared before this committee and I thank you for your kind attention and help in my efforts to represent peanut growers.

Senator ALLEN. Do the peanut growers have any assessment against themselves for an educational program on the value of peanuts to the consumer?

Mr. HALL. Yes, sir. Peanut growers in all peanut-growing States, to my knowledge, there are three peanut-growing areas that have voted to tax themselves through peanut commissions for promotion for the use and sale of peanuts.

Senator ALLEN. That is a good investment.

Mr. HALL. The best investment we could make.

Senator ALLEN. Senator Young.

Senator YOUNG. I want to thank you for a good statement. I cannot help but note the united thinking of the producers and processors of peanuts in support of the present program. It is a bit unusual.

Mr. HALL. Mr. Chairman, we have worked together in building the peanut program since the great Congressman from Georgia, Steve Pace, pioneered the introduction of peanuts as one of the basic commodities. We worked together in harmony, I think, with all segments of the peanut industry. We have had some differences, but they are of a minor degree.

To make this program as well as we could, we built brick by brick by brick, we owe a lot of gratitude to Mr. Thigpen who was before you a few minutes ago, for his efforts to help us improve the peanut program. I do not know of any other commodity that has worked as hard as we have to promote this program, to work in the interest of all of us, the whole Nation.

I believe this is the type of program that should be foremost in our minds when we work out a farm program, one that is best for all the people. I cannot conceive of anything worse about the peanut program right now than to be marketing peanuts in the world market at half the American price. That is about what the world price is now, and ask our American consumers to pay one price and export at another lower price. For instance, if peanuts were selling at 20 cents a pound in our stores, to the American housewife and we were selling the same quality peanut to the European consumer for 10 cents or less a pound just to please someone in the Department of Agriculture, how long do you think the American consumer would stand for it?

I am an American consumer. I would stand up on my feet and yell about it, and the consumer would too. This is the way to destroy a

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farm program that is working well. This open end production of peanuts for export or two-price program would open the flood gates, people would go bankrupt. Farmers have tried it and could not make it.

I cannot compete with a man in Africa or Asia who probably earns 25 cents a day growing peanuts. I have to support my family and my new coworkers up in Detroit, Racine, and Chicago who are building my farm equipment. The farmers have laid off our $5-a-day farm hands, Mr. Chairman and substituted machines: tractors, combines, dryers, et cetera, some that cost us $15,000 to $25,000. Mr. Chairman, you know that this is true because you represent the great peanut-growing State of Alabama.

Do you know what it would cost, Mr. Chairman, for one of these young farmers here with me today, to get into peanut production? The farm equipment alone would exceed $75,000 excluding the cost of his farm, and enough operating capital to bring in a crop.

Farmers have to have some return on that size investment. We certainly cannot do it with nickel peanuts.

African farmers stock peanuts are selling, as indicated in a handout we received from the Department of Agriculture last week when the National Peanut Advisory Committee met, at 5½ cents a pound. Very few peanuts are exported from that area, but we would have to compete in this low market.

We have taken up our time, Mr. Chairman. There are others here who wish and need to be heard. We do not want to prolong the hearing. Thank you very much.

Senator ALLEN. Senator Bellmon.

Senator BELLMON. I would like to ask this one question.

Were you able to save your crop this year?

Mr. HODGES. Senator Bellmon, I was one of the lucky ones. I had mine in burlap bags because they were under seed contract. I bagged those peanuts. The bags began to fall off them. I had to take them to a dryer at a tremendous expense. You know what it is to dry a ton of peanuts. I felt like I was one of the lucky ones. I have been at my neighbors' fields, Senator Bellmon, and you rake those things up by the double handfuls. They are not coming up here for a grant. They assume that lost.

Senator BELLMON. For the record, do not go into too much detail, you might tell the members of the committee what happened to the peanut crop in Oklahoma this year, because a lot of people do not know how hazardous it is to grow this crop.

Mr. HODGES. It rained for 30 days.

Senator BELLMON. At hardest time.

Mr. HODGES. They are very fragile and don't hold onto the vine. They are easy to come off. It is like about the size of a thread. When it rots off, your peanuts are left on the ground, no way you can harvest those peanuts.

There are some farms that are going to change hands because of this.

Senator BELLMON. Some farmers going broke?

Mr. HODGES. Farmers going broke. But they do not ask for any help. They accepted that hazard.

Senator ALLEN. Senator Helms?

Senator HELMS. No questions.

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Senator ALLEN. Thank you very much, gentlemen.

Senator BELLMON. I have a statement here from Mr. Robert Shepard of Durant, Okla., who was not able to be here. I ask unanimous consent it be made part of the record.

Senator ALLEN. Without objection.

[The statement of Mr. Shepard follows:]

STATEMENT OF ROBERT SHEPARD, CHAIRMAN, OKLAHOMA PEANUT COMMISSION, DURANT, OKLA.

Mr. Chairman, my name is Robert Shepard, Chairman of the Oklahoma Peanut Commission. I am appearing today representing the peanut producers of Oklahoma.

It is becoming increasingly more difficult to steer sound farm legislation through Congress, as fewer and fewer members have an appreciation of, or an interest in problems of the farmer.

If Congress writes only legislation to favor consumers, this country may very well be lining up among the hungry nations of the world in a few years. Agriculture is to the U.S. what oil is to the middle east, but farmers are not the profiteers that spokesmen for consumer groups try to make them out to be. If the nearly 22 billion dollars' worth of farm commodities exported in 1974 had not been available to foreign trade, the U.S. balance of payments ledger would show a much grimmer bottom line.

It is also worthy to note, that in the past twenty years, the U.S. has shipped 25 billion dollar's worth of food aid to foreign countries.

What the consumer groups seem to want is higher wages and higher prices for what they sell, and to buy food at prices which prevailed a decade or two ago. This cannot be done.

Farmers have to buy tractors made by higher paid workers. They must pay import prices for fuel, as well as higher costs for fertilizer, seeds, and other supplies.

"The Agriculture and Consumer Protection Act of 1973" specifies prices Congress said farmers ought to be receiving as a minimum with the government making up any difference between what the farmers get and the target price. So far farmers have not received any payments.

Mr. Chairman, I want to make it clear that the peanut producers in Oklahoma like the existing peanut program. It has served the producer, the warehousemen, the sheller, the manufacturer, and the consumer in a fair and equitable manner for the past many years. There have been no drastic rising or lowering prices in raw and finished products from the producer to the consumer. This fact within itself, I believe, justifies maintaining this all-important farm program with the peanut producers and the consumers of the nation.

Thank you Mr. Chairman. I will be pleased to try to answer any questions the committee may have.

Senator ALLEN. Our next witness is Mr. Marshall Grant, Garysburg, N.C.

The Chair recognizes the distinguished Senior Senator from North Carolina who will present the witness.

Senator HELMS. Mr. Chairman, I am delighted to present my longtime friend and distinguished North Carolinian, Marshall Grant. Marshall is recognized throughout the country as one of the leading authorities on peanuts. He is also very active in cotton.

I am delighted that he is appearing here today.

STATEMENT OF MARSHALL GRANT, VICE PRESIDENT, NORTH CAROLINA FARM BUREAU, AND CHAIRMAN, PEANUT COMMITTEE, NORTH CAROLINA FARM BUREAU, GARYSBURG, N.C.

Mr. GRANT. Mr. Chairman, gentlemen of the committee, I am, as Senator Helms has indicated, Marshall Grant, a peanut producer, I might add, a small producer, from North Carolina. I am vice president of North Carolina Farm Bureau and chairman of its peanut

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committee. I appreciate this opportunity to express our thoughts as they relate to changes in our peanut program.

Mr. Chairman, we feel that the statement of the National Peanut Growers Group does a good job of reflecting the feelings and ideas of most peanut producers in the United States. We endorse this statement.

There are a few comments we would like to add to emphasize some points we feel need to be made in support of the present program or some modification of it.

I have held many positions of leadership in North Carolina since first being appointed to a national peanut advisory position about 1960. Since this time it seems every year someone has said to peanut producers, the peanut program must be changed, but no basic changes have been found to improve it for all concerned. We acknowledge some years the program has cost the Federal Government significant amounts of money, but when compared to any other commodity program over the long term, the costs have been low when compared on a per unit or per dollar value, whether it be feed grain, cotton, wheat, et cetera. But a very significant fact must stand out that during this extended period of time, peanuts have maintained a stable economy for those involved either from the producer, the consumer, or the manufacturing end of the industry. We have had a reasonably profitable industry. What is wrong with an industry remaining stable over many years. Can you say this is true of any of the other major crops subject to farm programs for the past 15 years?

The Department of Agriculture makes much of the effect of target programs now in effect. I suggest to you they have had practically nothing to do with the present agricultural economy. If the cotton program had accomplished its purpose—to make up the difference between the price of cotton and the target price—the cost this year would have been significant. If poor weather and nitrogen shortages had not drastically reduced corn and soybean yields, we would see poverty prices for these crops now also just as in the case of cotton.

If the target price concept is applied to peanuts, I am very sure it will wreck the industry. There is no, I emphasize no, world market to hold up prices without some price support system. As an example of what I say, when the Secretary of Agriculture assessed the producer with cost of grading, handling, and storage, our market was reduced by the exact penny of this assessment. The same, no doubt, will be true if support price is reduced to a low level. The price would immediately drop to a like level. Any difference between this and a target price would be a direct cost to CCC. With these kinds of cost we know the Congress would kick out our whole program.

By way of emphasis of the lack of a world market to establish a price for peanuts, I would say to you that what peanuts are traded in world market is only at oil and meal prices, with little quality control.

I also would like to submit to you exhibit A showing information from FAS that even those peanuts go into the trade only through Government policy.[1] In none of the peanut producing countries do peanuts go freely into the world trade. We simply cannot produce peanuts in competition with a Government decision in some foreign country.

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[1] See p. 1006.

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Much criticism is made by some in USDA about their basic philosophy that anyone wanting to produce peanuts should be allowed to do. We have expressed a willingness to develop a program to permit production for oil and meal or world markets, even though we are confident this is not in the best interest of the total industry. Only 2 years in the past 20 years has this market been profitable to producers, it is hard for me to understand why we should develop a program to fit this situation. As far as the profitable part of this market is concerned, the long-time producer should be permitted to maintain the markets he has developed and established quality control programs for. Any new person desiring to produce peanuts has only to purchase a peanut farm, just as I would have to buy a dealership if I wanted to sell Ford automobiles, or buy an airline if I wanted to go into the flying business. Almost any business venture I know of has restrictions on entering it, even the United States Senate. If I wanted to go to work for General Motors, I would first have to join a union and pay dues before even being considered for the job. The only way to give anyone additional rights today is to take them from someone else.

The present program has contributed greatly to those involved in it. It has supplied a continuous adequate supply for the industry and consumer without a single year of shortage; it has satisfied 97 percent of the producers as indicated by recent referendums; it has created a good and steady economy in producing areas. It has been the most stable commodity of any as indicated by the graph in exhibit B.[1]

If you have an opportunity to see it, it shows that commodity prices have been very erratic since we began the target-type program. Upon it I have imposed a line showing the price of peanuts, which is almost a directly straight line with a slight incline. I think this is a very vivid understanding of what I am trying to say.

Even with these things going for us, I have had the unfortunate responsibility to be involved in foreclosing on three of my fellow farm families this spring as a member of my county FHA committee. Peanut farmers are not getting rich.

In closing, I ask you as a Committee on Agriculture to give serious consideration to the good things in the present program before requiring changes which might be harmful to the producer and the consumer. The consumer is getting good value for his peanut dollars.

I will be glad to answer any questions you may have.

Senator ALLEN. Thank you.

Mr. GRANT. We would add, we do not come to you as a producer as those I heard, our predecessors from the grain and meat industry. We did not come to you with a problem. We come to you saying leave us alone.

Thank you. I will be glad to answer any questions.

Senator ALLEN. Thank you very much.

Senator Helms?

Senator HELMS. Let me ask the staff first, what are the precise figures given to you by the Department as to the cost of this program?

Mr. CASSO [professional staff member]. I only have it for last year, Senator.

Senator HELMS. That would be fine.

Mr. CASSO. The cost of the price support program is $4.8 million.

Senator HELMS. $4.8 million.

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[1] See p. 1007.

Mr. CASSO. Right.

Senator HELMS. Compared, for example, to a $4 billion cost for the food stamp program.

How many people are involved in peanut production in North Carolina?

Mr. GRANT. 18,000 families.

Senator HELMS. Mr. Grant, as briefly as possible, list some of the characteristics of peanut production that you feel distinguish peanuts from other commodities under which target price is used with varying degrees of efficiency.

What is the difference between producing peanuts and other commodities?

Mr. GRANT. The major concern and consideration is under the target price concept, in order to make it work there has to be a world market, a market at some level to stabilize prices. My conception is that in peanuts there is no such thing. We are a relatively small commodity, again I would emphasize. As far as the edible portion of our commodity, it is not traded in world circles. No other country sells peanuts into the world market, partly because of lack of quality controls, and other reasons. Peanuts are traded only as oil and meal, not as peanuts itself. Even our excess peanuts are sold based upon the price of oil and meal, not any relationship to edible peanuts. Again, I say it does not reflect any of the value of peanuts as edible peanuts, once they go into the foreign market.

There is no foreign market to establish a market that the target price could operate under. If peanuts were reduced from the present support level of $375 to $275, there is no reason to believe that the price of peanuts would not that same instant drive to $275 a ton, nothing between that to maintain this level of support for peanuts, in the absence of the price support program.

Senator HELMS. Many times, previous witnesses have referred to orderly marketing of peanuts.

Do you have any suggestions about a commonsense approach to this?

Mr. GRANT. Senator Helms, the policy that has been followed all these years since we have had such a program, I think, is a commonsense approach and one that would be endorsed by every member of the industry that I have had opportunity to talk to in that they should be sold at their value, whatever their value is. It is obvious from the actions of the Secretary that he is not concerned with selling them as efficiently as he can; rather, as it appears, using this as a threat over the program in order to force us into some drastic changes that we feel are not justified.

It does appear that he is trying to use us to make the program much more expensive. I have not seen one member of the industry that agrees with the philosophy that he is following. It can only be detrimental.

Senator HELMS. As you know, I have gone to the mat with you, with Mr. Frick and Mr. Butz, about this peanut program, which is very vital to North Carolina. We always hear about the number of young people who theoretically would go into peanut production, and they cannot because of the allotment.

Now, considering the cost of peanut production and being a man on the ground, knowing what the situation is, really how many young

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people in North Carolina would go into peanut production if there were no acreage allotments?

Mr. GRANT. I do not think the allotment program is any restriction on a young man going into the industry. It is a little hard to answer your question directly. The opportunity is there now. They only have to compete with other farmers. If we were to change the program, they would have the same problem and at a much lower return. Eliminating the program does not give them an opportunity to get into the business. It gives us a better opportunity to go broke. Once it becomes unprofitable——

Senator HELMS. To put it another way, how much would it cost a young farmer of the category referred to by our friends, Secretary Butz and Mr. Frick, how much would it cost him to start in business this year as a peanut producer?

Mr. GRANT. To expect to have a return sufficient to justify a livelihood, no less than $100,000 in North Carolina, not including cost of land.

Senator HELMS. On the earnings of an average peanut producer in North Carolina, do you think that would be a prudent investment for him?

Mr. GRANT. I would not think so.

If I might bring you one other piece of information that is pertinent to the question you raised, exhibit C. It shows in four major fringe States, there is a significant acreage available now to anyone who wants it. I would point out to you Arkansas has a total acreage of 4,000. And 3,400 of that no one will work. These figures are out of date. I have been unable to get more current ones.

It gives you several of these fringe States showing that there is peanut acreage available that costs them nothing, and they have the advantage of a high support program available to them. Still no one would bother to take them in those fringe areas and new areas of production.

We can see no justification.

Senator HELMS. Mr. Chairman, I ask unanimous consent that the staff be requested to get updated figures, somewhat more recent than the ones that Mr. Grant submitted.

Senator ALLEN. Without objection, staff will locate those figures and insert them in the record.

[The information referred to follows:]

1974 CROP—PEANUTS

	State acreage allotment	Acreage allocated to farms	Percent allocated	Acreage harvested	Percent harvested
Alabama	261,714	214,807	99.1	201,000	93.6
Arizona	761	761	100.0	520	68.3
Arkansas	4,238	4,238	100.0	3,276	77.3
California	930	930	100.0	20	2.2
Florida	55,545	55,365	99.7	55,000	99.3
Georgia	529,855	528,397	99.7	512,000	96.9
Louisiana	1,945	1,945	100.0	1,776	91.3
Mississippi	7,513	7,497	99.8	6,000	80.0
Missouri	247	231	93.5	79	34.2
New Mexico	7,930	7,916	99.8	7,600	96.0
North Carolina	167,881	167,529	99.8	166,000	99.1
Oklahoma	138,348	135,648	98.0	117,000	86.3
South Carolina	13,898	13,766	99.0	15,500	112.6
Tennessee	3,552	3,211	90.4	1,130	35.2
Texas	358,234	353,102	98.6	295,000	83.5
Virginia	104,829	104,674	99.9	102,000	97.4
Total	1,612,416	1,600,044	99.2	1,488,901	92.7

1973 CROP—PEANUTS

	State allotment	Acreage allocated to farms	Percent allocated	Harvested	Percent of allocated harvested
Alabama	216,713	214,870	99.1	200,000	93.1
Arizona	761	761	100.0	715	93.9
Arkansas	4,184	4,162	99.5	3,719	89.4
California	930	500	53.8	22	04.0
Florida	55,529	55,344	99.7	53,667	97.0
Georgia	529,855	528,619	99.8	512,000	96.9
Louisiana	1,945	1,945	100.0	1,870	96.1
Mississippi	7,492	7,434	99.2	8,151	109.6
Missouri	247	247	100.0	122	49.4
New Mexico	7,930	7,916	99.8	7,700	97.3
North Carolina	167,898	167,559	99.8	166,000	99.1
Oklahoma	138,348	135,264	97.8	118,000	87.2
South Carolina	13,891	13,769	99.1	15,500	112.6
Tennessee	3,606	2,983	82.7	857	28.7
Texas	358,005	352,835	98.6	314,000	89.0
Virginia	104,809	104,620	99.8	103,076	98.5
Total	1,612,143	1,598,828	99.2	1,505,399	94.2

Senator HELMS. I would make one more comment, not in the form of a question, Mr. Chairman. I must say I have known Mr. Grant for a long time. I have watched him operate. He is not the kind of man to come to Washington for a handout. He believes in standing on his own feet. That is characteristic of the peanut producers in the distinguished chairman's State and certainly in the State of North Carolina.

Senator ALLEN. Thank you very much.

Senator Young?

Senator YOUNG. I think you said there were 18,000 farmers producing peanuts in North Carolina?

Mr. GRANT. Yes, sir.

Senator YOUNG. Do these producers raise only peanuts or is this just a part of their farming operation?

Mr. GRANT. A few of those, but they become fewer each year. It is primarily the full-time farmowner now that is involved in peanut production in North Carolina particularly. There is a consolidation of farms. Many years ago we talked in terms of a farmer having a dozen tenants. Now the situation has reversed. We have a farmer who operates a dozen farms. They have to do this in order to get the size of production that will give them the opportunity to make a reasonable earning to live on.

There are very few, very small farmers involved in peanuts any more. Most of them are family size farms.

Senator YOUNG. They raise only peanuts?

Mr. GRANT. They all raise some other commodities. Peanuts are the stabilizing factor in these areas. As the Senator indicated, I produce equal acres of cotton, but peanuts is my major source of livelihood.

Senator YOUNG. Thank you.

Senator ALLEN. Thank you very much.

[The following material was referred to on p. 1002.]

EXHIBIT A

PEANUT MARKETING SYSTEMS BY COUNTRY

INDIA

Within a state peanuts are traded in an open market. Some state governments, however, try to control the export of oilseeds, especially peanuts, out of thei

state. At the national level, there is not yet a federal marketing or purchasing organization. The Indian government has an agency called the State Trading Corporation (STC) which controls the exports and imports of everything from automobiles to HPS peanuts through import and export licenses and quotas. One of the few commodities in India that are marketed privately is peanut meal, and this is done through the Groundnut Extraction Export Development Association (GEEDA). GEEDA issues export quota licenses to its members who may trade privately in export against these licenses.

SOUTH AFRICA

The Oilseed Control Board buys peanuts from the farmers at the country level and is in charge of all the peanut and peanut product marketing including exports.

NIGERIA

The Federal Military Government of Nigeria (FMG) sets domestic and export prices and export quantities through the Producer Price Fixing Authority (PPFA) of the FMG. The Nigerian Produce Marketing Company Limited (NPMC) administers the marketing of all produce (including peanuts) purchased by the four regional marketing boards. The NPMC is the exclusive marketing organization for the FMG and exports directly with foreign buyers.

SENEGAL

The National Office of Cooperation and Assistance for Development (UNCAD) of the Government of Senegal buys peanuts from the farmer and markets them to the domestic and export markets.

GAMBIA

The Gambia Produce Marketing Board (GPMB), an agency of the Government of Gambia, buys peanuts at the farm level and markets them domestically and internationally.

AUSTRALIA

The crop is handled through a Peanut Marketing Board, which is legislatively authorized. No price supports are set, but the crop receives an advance somewhat less than the anticipated price and, when the final marketing is completed, each farmer is given a second payment which represents the difference between the advance and the final net received for the crop.

Exhibit B

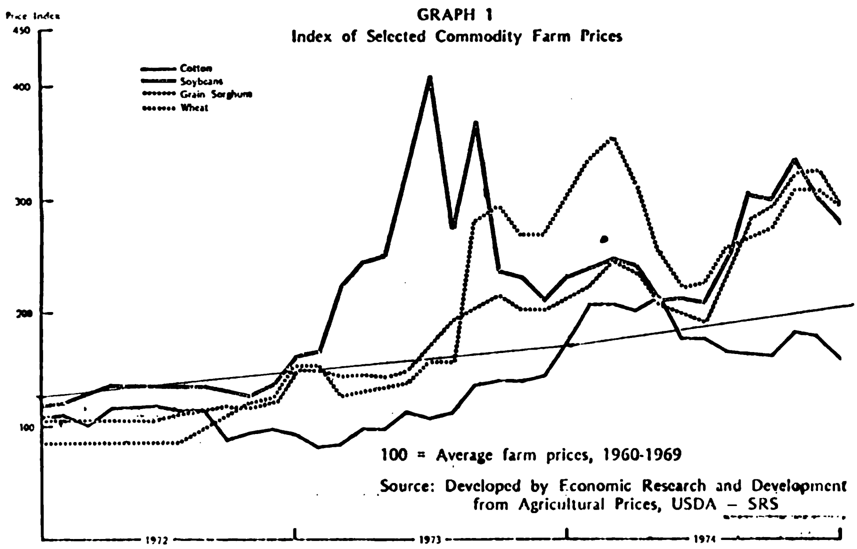

EXHIBIT C

PEANUT ALLOTMENT DATA—1969

State	Allotment	State reserve
Arkansas	4,192	3,437.5
Louisiana	1,949	1,604.0
Mississippi	7,506	7,136.6
Missouri	247	142.0

Senator ALLEN. The next group of witnesses will be the last witnesses to testify this morning, and after we hear from them we will recess until 2 o'clock.

The first witness this afternoon will be David L. Boren, Governor of Oklahoma. At this time we will have Mr. George B. Freeman, president, Sydney C. Reagan, general counsel, and George W. Morrow, member, board of directors, Southwestern Peanut Shellers Association.

STATEMENT OF SYDNEY C. REAGAN,* GENERAL COUNSEL, SOUTHWESTERN PEANUT SHELLERS ASSOCIATION, DALLAS, TEX.

Mr. REAGAN. My name is Sydney C. Reagan. I am general counsel for the Southwestern Peanut Shellers Association. Mr. George Freeman is president of the Southwestern Peanut Shellers Association, and part owner and manager of the Woldert Peanut Co. in Dublin, Tex.

Mr. George Morrow is a member of the board of directors of the Southwestern Peanut Shellers Association and is the owner and manager of the Denison Peanut Co. in Denison, Tex.

Mr. Morrow also lives in Durant, Okla., where he has been a long time resident.

The members of our association are in the States of Texas, Oklahoma, and New Mexico. We purchase the peanuts in the shell from the farmers. We store them, we shell them, we size them, we grade them, and sell the shelled peanuts to manufacturers of peanut products. Our members are small businessmen who are the neighbors and friends of the peanut growers in that area.

Our members recognize the tremendous increases in the costs of production that peanut growers have been experiencing and we are aware of and sympathetic with their problems.

We want to compliment the peanut growers in all areas for their constructive and patient efforts over the last several years to reach a reasonable agreement with the Department of Agriculture on changes in the peanut price support program. We regret that the Department of Agriculture has seen fit from time to time to shift its position when it appeared that an agreement had been reached.

We compliment the National Peanut Grower Group and their vice president, Russell Schools, for the statement that they have presented today. The position of the Southwestern Peanut Shellers Association is in agreement with the growers' statement on most points. We hope that on any points of disagreement at this time that agreement can be reached through constructive discussions.

* See p. 1055.

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The recommendations of the Southwestern Peanut Shellers Association are as follows:

(1) The present peanut price support program and the present minimum acreage allotment of 1,610,000 acres should be continued. This program has been successful in providing ample quantities of peanuts and peanut products to the American consumer at reasonable prices and, at the same time, maintaining the income of peanut growers at bearable levels.

(2) We are unalterably opposed to the so-called target price plan of the Department of Agriculture. It would result in excessive losses to the Government or in extremely low income to peanut growers; neither result should be sought.

From this point on in our recommendations, we are making them on the assumption that changes will be made in the peanut price support legislation.

Support on production from allotted acres should be at not less than 70 percent of parity net to farmers.

The sale and lease of acreage allotments should continue to be permitted.

If the present minimum acreage allotment of 1,610,000 acres is reduced, the reduction should be at a gradual rate of about 4 to 5 percent a year to a level that would result in total production from the allotted acreage not less than the domestic food and seed requirements plus a reserve of 25 percent.

Several questions have been raised in the past concerning whether or not there should be a large Government carryover as a reserve. Because of the perishable nature of peanuts, we feel like the best way to assure the American consumer of a supply at reasonable prices is to provide for this through a 25 percent reserve, rather than to carry over this perishable commodity.

If allotted acres are reduced below the present minimum of 1,610,000 acres, then farmers should be permitted to produce nonquota peanuts on whatever number of nonallotted acres that they wish. This would include growers who currently have allotments, as well as growers who do not.

Senator ALLEN. At that point, I hope we do not come to this. Would this not be subject to the danger that you would have overproduction since there would be no control on it and since the Government has a support level there? You would obviously bring the market down and be a great expense to the Government, would it not?

Mr. REAGAN. Under what the Government is proposing with the target price plan, this is exactly what would happen. We, on the other hand, are not proposing that the regular support program be extended to peanuts produced on these nonallotted acres. What we are proposing is that these would be excess acres. We propose that the support on those peanuts be substantially lower than the support on quota peanuts. These peanuts would be produced for sales for crushing in the domestic market or for export, and the support for those peanuts would be at the lower of 60 percent of the support on quota peanuts, which would be, I think, 45 percent of parity, or at 90 percent of the estimated world price. In other words, the support that would be provided for these nonquota peanuts would be at a very low level.

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Senator ALLEN. I do not want to belabor the question, but aside from the support, obviously if you support an extra million tons of peanuts, it is going to depress the rest of the market.

Mr. REAGAN. That is a real problem. We also have a serious question as to how many farmers are going to want to produce these nonquota peanuts. This is a very serious question there.

Senator ALLEN. The fact that there is a quota of acreage does give justification to a government providing support, but if you had these nonquota acres being planted, it is just going to break the Treasury.

Mr. REAGAN. It would create a serious problem.

If we do have this cut in the regular quota acreage and the growers are permitted to produce nonquota peanuts, then we feel that the shellers should be permitted to buy these nonquota peanuts directly from the growers for domestic edible use and for seed at the support [illegible] market price for nonquota peanuts and to pay the difference between that price and the support price on quota peanuts into an area pool with no markup. This would permit these nonquota peanuts to be available if they were needed, but they could only be purchased, [illegible] far as a total combined price to a sheller, at what he would [illegible] to pay for quota peanuts.

Then we feel that crushers and exporters should be [illegible] contract with growers of nonquota peanuts for their [illegible] should be permitted to buy directly nonquota peanuts for crushing or export from growers.

If there is a reduction in allotted acreage from the [illegible] then growers should be required to continue to plant [illegible] present allotted acres and to receive full support on [illegible] are quota peanuts and to receive the nonquota [illegible] This will help insure a supply of peanuts at [illegible] American consumer.

Whether the present program is continued [illegible] the legislation, the program in the future [illegible] carried out through the grower associatio[illegible] In the Southwest area, the program h[illegible] tively and economically by the Sout[illegible] ciation.

In summary, the recommend[illegible] Shellers Association are as follow[illegible]

One, maintain the present [illegible] acres. It has worked well. [illegible]

Two, under no circums[illegible]

Three, if there is a [illegible] reasonable support pr[illegible] acres so we do have [illegible] edible market.

I would like [illegible] times here the [illegible] Southwest [illegible] the [illegible] crop [illegible] G[illegible] warned the [illegible] getting into it they [illegible]

orally and in writing, but they went right ahead anyway, and they departed from the method of orderly marketing of the surplus peanuts that they had been following since 1941. They departed from that, and in fact, the Department painted themselves into a corner because the quantity of peanuts that the United States puts into the world market is just 2 or 3 percent of the world supply and there is no way that the Department of Agriculture can have an effect on the world market. The United States has to sell into the world market. The United States cannot control it.

When the Department put this minimum that they could sell at, in effect it invited other groups and other countries to sell a little bit under that price. So it has held practically all of the peanuts that it has gotten. It has roughly 400,000 tons now.

Even last fall when the Department could have sold into this world market at the minimum price that it had announced, it turned down some bids that it got which were at or above this minimum. The problem is that the Secretaries of Agriculture in the past have recognized that peanuts are a perishable commodity and that the proper thing to do is when it becomes crystal clear in the fall that we do have a surplus, then these surplus peanuts should be marketed in an orderly manner, and hopefully they will all be marketed before the hot weather arrives in the spring. That is just reasonable.

But the Department is going to have excessive losses on the program this year, because of this very unfortunate decision of the Department of Agriculture.

Senator ALLEN. Thank you very much.

You have set out a full program here in the event changes are made, but you and the other shellers are satisfied with the present peanut program, is that correct?

Mr. REAGAN. Absolutely.

Senator ALLEN. It is your observation that that view is held by others in your industry and by planters as well, is that correct?

Mr. REAGAN. Absolutely.

Senator ALLEN. Thank you very much.

Mr. FREEMAN. We only introduced the alternatives because we understood Mr. Butz said that it is going to be changed.

Senator ALLEN. That may be, but then again, it may not. [Applause.]

Senator ALLEN. Without objection, a letter to Chairman Talmadge from James E. Mack, General Counsel, the National Confectioners Association and the Peanut Butter Manufacturers and Nut Salters Association will be made a part of the record at this point.

[The letter referred to above follows:]

WASHINGTON, D.C., *February 17, 1975.*

Hon. HERMAN E. TALMADGE,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is a written submission in lieu of a personal appearance at the hearings of your Committee to be held on February 19 pertaining to peanut price support legislation. The writer is General Counsel for the National Confectioners Association and also the Peanut Butter Manufacturers and Nut Salters Association. The industries represented by these associations are responsible for almost the entire usage of shelled peanuts consumed in the United States for edible purposes, that is, peanuts sold at prices reflecting the full price support.

We have not become involved in the dispute which has gone forward now for several years between peanut producers, peanut shellers, and the United States Department of Agriculture regarding a possible change in the program. However, we do want to express our concern pertaining to a particular aspect of the subject. It concerns the provision in the existing statute for an annual minimum allotment of 1,610,000 acres. Under no conditions should this allotment be lowered. We are most anxious for you and the other members of your Committee to understand why we are strenuously opposed to a reduction in this minimum acreage allotment. It is recognized that in a year of good yield the quantity of peanuts produced in the United States may be one-third more than is needed for the manufacturers of salted peanuts, peanut butter, peanut butter sandwiches, and confectionery. However, there is a very important reason why this supply cushion should not be reduced. It is because there is a virtual embargo in accordance with Section 22 of the Agricultural Adjustment Act against the importation of peanuts. We understand and recognize fully that this virtual embargo must be maintained in effect as long as the present peanut price support program continues. Otherwise the cost to the Federal Government would be unbelievably staggering. This is, however, where a problem can occur. It has not occurred for quite some years but it could occur in 1975 or any future year. As you well are aware, the size of the peanut crop in any given year cannot be known until the peanuts have actually been received by the peanut sheller. Too much moisture or not enough moisture during the growing season, or very adverse weather conditions during harvesting can cause a crop failure in one or more of the three peanut producing areas. If this occurs in only one of the three peanut producing areas, an apparent abundance of peanuts can develop into an actual shortage within a period of a few days. If then we could look to foreign sources for necessary emergency supplies, we would be able to live with an acreage reduction. We cannot do so with the Section 22 virtual import embargo on peanuts.

It is correct that there is a procedure for easing Section 22 restrictions, but from the time this procedure is instituted until foreign supplies can be obtained, a period of at least several months elapses which is far too long when there is a peanut supply shortage.

Therefore, our position is that as long as there is a peanut price support program with the necessary Section 22 restrictions in effect, the minimum allotment of 1,610,000 acres as provided in the current statute must not be reduced.

We request your very careful consideration of our industry position concerning this subject.

Sincerely,

JAMES E. MACK,*
General Counsel, National Confectioners Association, Peanut Butter Manufacturers, Nut Salters Association.

Senator ALLEN. At this point, without objection, I will insert a statement from Representative Bob Traxler, of Michigan.

[The statement of Representative Traxler follows:]

STATEMENT OF HON. BOB TRAXLER, REPRESENTATIVE IN CONGRESS FROM THE EIGHTH CONGRESSIONAL DISTRICT OF MICHIGAN

Mr. Chairman, I respectfully request that your Committee consider establishing a Commodity Credit Corporation loan program for dry edible beans. Such loan program will stabilize production, preventing shortages for domestic use which tend to feed inflation, and assuring a continued high-level export program which contributes to our U.S. balance of payments.

The state of Michigan is the nation's leading dry edible bean producing state. Michigan annually produces one-third of the total U.S. output. Michigan dry edible bean production is concentrated in the counties of Huron, Tuscola, Saginaw, Bay and Sanilac. I am proud to represent these counties in the House of Representatives.

Michigan beans have contributed to our nation's balance of payments. The exports from the 1973 crop accounted for approximately $35 million worth of foreign sales.

Secretary of Agriculture Earl Butz recently removed dry edible beans from the list of crops eligible for assistance under the price support program.

Recent wide fluctuations in the international price of beans demonstrates the instability of the bean market. Without an adequate price support or loan program

*See p. 1295.

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gram, our domestic bean producers will be left to the mercy of the market, which recent experience shows will result in extreme overproduction in some years and underproduction in other years. Underproduction creates shortages, feeds inflation, and threatens our export market. In order to bring stability to domestic bean production, therefore, I believe we need an adequate recourse loan program to promote orderly marketing.

Accordingly, I submit for the consideration of your Committee the enclosed proposal on behalf of the Michigan bean commission. I respectfully request that your Committee give favorable attention to this proposal.

PROPOSAL TO THE SENATE AGRICULTURAL COMMITTEE FOR A LOAN PROGRAM ON DRY EDIBLE BEANS

Congressman Bob Traxler (D–8th District Michigan) presents the following proposal on behalf of the Michigan Bean Commission which represents approximately 12,000 growers who produce 34.6% of the dry edible beans produced in the United States.

A recent determination by the Secretary of Agriculture removed dry edible beans from the list of crops eligible for price support. This authority was contained in the 1949 Agricultural Act.

It is the belief of this Commission that a Commodity Credit Corporation loan program on dry edible beans is needed and justified by the following circumstances and factors.

1. Dry edible beans are not traded on any commodity exchange. Therefore, neither producers nor processors have an opportunity to utilize future contracts in their marketing operations. This makes dry edible beans especially vulnerable to world-wide supply and demand with the grower subject to the vagaries of the market.

2. Dry edible beans are a high protein food which provide protein at a lower cost than meat products and, therefore, the producers should be encouraged to meet expected world food demand.

3. The Michigan bean industry, comprised of growers, shippers and processors, has for many years cooperated with the Foreign Agricultural Service, United States Department of Agriculture, in developing a foreign market particularly for navy or pea beans which comprise about one third of the national production of dry beans.

4. During the 1974 marketing season, the 1973 crop of dry edible beans contributed substantially to the export trade balance on farm commodities. For the United States, a total of 3,338,166 cwt. of all classes of dry beans were exported with a total value of $74,413,172. Michigan exports accounted for 1,069,250 cwt. of the above total.

5. It is proposed that in lieu of a mandatory price support program, dry bean producers should be provided with a ready means of financing through CCC channels when needed by a recourse loan. This would promote orderly marketing, and with the proposed change in the maturity date policies, would help the producer in his overall program for production marketing.

6. The method of financing through recourse loans would enable the producer to carry reserves through the next harvest season, therefore, providing a more stable supply from year to year. This would provide a limited amount of reserves without excessive cost to CCC and would keep the reserves in the control of the producer where they are less likely to be forced on the market than if they were held by the CCC.

7. There is a great need for growers to be able to borrow money at a reasonable rate of interest after the crop has been harvested, using the crop as security, so that they can more orderly market the production. Commercial banks are quite willing to loan growers capital for production supplies such as seed, fertilizer, fuel, etc.; but because of market variations, are most reluctant to loan capital to the grower on the crop once it has been harvested. The result of this is that growers are frequently forced to sell the commodity in a very disorderly fashion. The loan program would permit them to carry the crop for perhaps as long as one year, marketing it in an orderly fashion in relation to the market demands.

8. It is our understanding there is a precedent for recourse loans. The Secretary of Agriculture has, in the past under current legislation, offered reccurse loans in emergency situations such as wheat when it was stored on the ground in temporary storage until suitable storage space could be located. Also the Small Business Administration offers this type of financing to small business corporations in need of financial backing when they are unable to obtain loans through regular banking channels.

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9. There would be little additional cost to CCC by using this type of loan program in view of the present interest rates which are set approximately at the same level as the cost of money borrowed by CCC. Also, ASCS is geared to process such loans and service charges reimburse CCC for the loan processing cost.

10. We suggest the program be implemented as follows:

A. The loan rate per cwt. to be established by dividing the projected production costs per acre (variable costs only, no land use charge) by the last year's average yield per acre as determined by the Federal-State Crop Reporting Service.

B. The projected per acre production cost would be established by either CCC itself on a State basis or by the Agricultural Economics Department of the land grant universities. Production costs and loan rates would be established for each class of beans.

C. Loans would be disbursed upon evidence of a commercial storage receipt from a warehouse approved by CCC or by a chattel mortgage on beans stored in the growers bin measured and sealed by ASCS personnel.

D. Loan rates would be announced annually before March 1st.

E. Loans would be made any time between harvest and April 1st of the following year.

F. Loans would mature one year from date of issue.

The Commission feels that lack of a loan program will leave bean growers at the mercy of the market which will create overproduction in some years and underproduction in other years. Under-production will not only create high prices for domestic uses which will tend to feed inflation, but it will damage the exceptional export market developed over the years since we will be unable to assure foreign buyers of a steady source of supply.

Senator ALLEN. The committee will stand in recess until 2 o'clock.

[Whereupon, at 12:50 p.m., the committee recessed, to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

Senator BELLMON [presiding]. The committee will come to order.

Our first witness this afternoon is Gov. David L. Boren of Oklahoma. With him is Mr. Bob Barr, president of the State board of agriculture. We are happy to have you gentlemen here and look forward to your testimony. I realize you have a lot of ideas as to what we need to do in agriculture. We will be anxious to hear what you have to say.

STATEMENT OF HON. DAVID L. BOREN, GOVERNOR OF THE STATE OF OKLAHOMA, OKLAHOMA CITY, OKLA.

Governor BOREN. Thank you very much, Mr. Chairman. We are happy to be here. Mr. Barr will be happy to join me in responding to any questions you may have.

Agriculture is the largest industry in the Oklahoma economy. Agriculture, including farm and ranch production along with associated supply, marketing, processing, and transportation firms accounts for more than one-fourth of the jobs and of personal income in the State of Oklahoma. Jobs created and incomes generated in the farm and ranching sector have a large multiplier effect on the State economy. Since agriculture is so important to the State, I am concerned with any matter that is currently or may in the future affect the economic well-being of the industry in the Nation and in the State of Oklahoma.

Today I will briefly allude to several important issues that require prompt and decisive action at the national level.

Farm income in the United States rose from $18 billion in 1972 to $36 billion in 1973.

I was talking about farm income, which had risen in the United States from $18 billion in 1972 to $36 billion in 1973. Actually, 1973 is a record year for farm income in terms of absolute level and is the only year that personal incomes of the farm population have equaled or exceeded personal incomes of the nonfarm population. Although farm income data for 1974 are not yet available, it is clear that net farm income for the Nation will be down 20 to 25 percent as compared to 1973. The 1974 decline, relative to 1973, is largely accounted for by rapidly escalating farm cost levels.

The trend in total costs is even more onerous. Farm production expenses of Oklahoma farmers increased $629 million from 1971 to 1973 and only $621 million from 1941 to 1971. In other words, we have had more of an increase in the last 2 years than we have had in 20 years in the cost of obligation. Many young, efficient farmers are financially most vulnerable, and will be inundated financially unless outmoded price supports are updated to reflect current realities.

It now appears that 1975 farm incomes will be even lower than 1974 as a consequence of continuing rises in farm cost rates as well as serious declines in farm commodity prices.

The economic problems of the livestock industry are well known. What is not so well known is that the entire agricultural industry stands on the brink of economic disaster. The parity ratio stood at 73 in December 1974. The parity ratio has never averaged below 74 for any year since the 1930's.

Grains are particularly important to Oklahoma. Oklahoma along with the rest of the Nation expects to produce a record wheat crop this year. However, this production, in response largely to requests by the USDA to produce to the limit of our capacity, could well result in such depressed prices that the Oklahoma wheat producer actually will receive fewer gross dollars for his crop than he did in 1973 or 1974. This situation combined with currently catastrophically low cattle prices would have direct effects on all of Oklahoma's economy and its state through lost tax revenue that would exceed $50 million a year. This projection is based upon figures prepared for me by the chairman of the Department of Agricultural Economics at Oklahoma State University, who projects a $2 loss per bushel on the price of wheat, would be $200 million loss of farm income in Oklahoma. We are talking about the gross product in Oklahoma, something like a reduction of $1 billion if that happens.

We urge you to favorably consider immediately raising the target prices for wheat to at least $4 per bushel with loan guarantees of 80 percent of that price. In our latest survey of actual producer's costs, these figures return at best only a modest return to the producer for his labor. In addition, because of the history of rapidly rising production costs, these prices must be protected by an escalator clause tying these prices to the costs paid by the growers.

We also urge the removal of any export restrictions currently being imposed by the administration on grain exports, and we ask the Congress to enact legislation to accomplish this goal if necessary.

I might add, parenthetically, that we are concerned that some slowdown of licensing for export may be occurring, and the depressing effect that would have on the wheat market in particular. If we are unable to have significant exports with so much of our production

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being able to be utilized only through exports, it will have a very depressing effect on the price.

We can hardly ask our grain growers to produce in excess of the national consumption level if their export markets are artificially restricted to their immediate price detriment. I might add on that, we think this is something not only in the interests of the State of Oklahoma and wheat producers in that area, but something certainly in the national interest because sales of agricultural products overseas are now a part of our bargaining leverage in international affairs, and an important aspect of maintaining our balance of payments. I would urge the Congress to take this action, not only from the point of view of being Governor of Oklahoma and looking at our producers, but looking at the total interest of the national economy.

Livestock, of course, is the largest single element in the agricultural economy of Oklahoma. Last July, the Congress passed the emergency livestock loan bill which was signed into law. The bureaucratic rulemaking surrounding the implementation of this law has been so restrictive that the intent of the Congress was deliberately subverted. There is still a desperate need for this financing in the livestock industry. The industry can work its way out of its current problems, provided sufficient time and adequate long-range financing are available. But it must be recognized that cattle prices are one-third to one-half of the levels observed in 1973, and the cost of resources such as fuel and fertilizer are running double to triple the levels of 1973.

The emergency livestock loan legislation needs to be liberalized both legislatively and administratively. The market for calves cannot be improved until the health of the cattle feeding sector is improved, since the cattle feeder is the major market for the basic calf producer. Until the large-scale commercial lot can move toward full capacity operation, the market for feeder calves must continue to be depressed.

Mr. Chairman, you have introduced legislation to first raise the loan limit to $500,000; second, to increase the guarantee from 80 percent to 90 percent of the loan made; and third, to expand the maximum loan period from 1 year to 3 years. We enthusiastically endorse this proposal and respectfully ask that the committee give it immediate attention.

If our producers and their credit sources feel this assistance is forthcoming, it could positively influence a pending rush of forced sales of beef cow herds when notes come due this summer and fall.

I think this is of vital importance. This is something that I met recently with my advisory council on agriculture—farmers and ranchers from across the State of Oklahoma were gathered together. Again and again they said, we know we have difficult times; we know we have problems of adjustment. Even our strongest producers are gravely in need of a long term financial assistance, a program for financing, and we feel that the passage of the Bellmon bill is very, very important.

One of the greatest needs for the economic recovery of the livestock industry is to get the present numbers of cattle reduced. It is a truism that the United States eats all the beef it produces—at some price. U.S. beef consumption during 1974 was at record levels, but the price at which it was sold by producers was below the levels that would allow financial survival of the industry. Increased purchases of beef

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for military and public institutional use, with emphasis on carcasses weighing less than 320 pounds, could speed the reduction in cattle numbers that would allow financial recovery.

One of the greatest concerns among beef cattle producers in my State is the impact of imported beef. The Secretary of Agriculture has made the point that beef imports during 1974 were well below the levels of 1973. This is not surprising. U.S. cattle and carcass beef markets were so low in 1974 that Australian beef producers did not want to sell in our markets any more than we did our own.

We urge the U.S. Department of Agriculture to commission an immediate study to estimate the potential volume of imported beef that can be expected to enter the United States during 1975, and to assess the probable impact of that importation of beef upon domestic cattle prices. This study could provide this Congress with a sound basis for deciding the sort and duration of beef import restrictions that would be in the national interest.

Meanwhile, beef imports should be embargoed. We are particularly concerned with the possibility that other nations which have been storing up large supplies might try to dump them in this country if we do not have adequate import controls and add to an already bad situation. This is of great concern to us.

I might add, Mr. Chairman, we are also very concerned about the impact of the availability of energy, of course, on the agricultural sector. This is something of great concern to us in Oklahoma. We know the immediate impact of natural gas on fertilizer, for example the need for all energy sources.

I am alarmed and distressed to see proposals being made that would actually cut the production of energy in this country.

For example, one of the most alarming proposals—and it has direct impact on Oklahoma—is the proposal of a windfall profits tax, which would in essence roll back the price of oil from our marginal wells in Oklahoma, the wells which are barely profitable, from $12 a barrel back to $6.45 a barrel. What will that do? It will cause wells, which are barely profitable at $12, to be plugged at $6. They are not economically feasible because of the price, and there is the added temptation because of the shortage of pipe and other supplies, the high salvage value of this to shut down these wells anyway.

We have estimated—I think this is a very well-informed estimate—that 4,000 wells would be plugged in Oklahoma alone in 1 year, that the loss nationally would be 26,000 wells producing 5.7 billion barrels a year. That is well production equal to half of the Alaskan discovery. It certainly would be shortsighted for the Congress to take any action at this time which would cause us to reduce the production of energy in this country. That is going to have an additional impact on the cost of everything, of course a direct impact on fuel which has been one of the major elements of the increased costs for the agricultural producers.

We cannot see 2 more years of increasing costs to the farmers and ranchers as we have had over the past 2 years without significant improvement in the price situation. We are alarmed that prospects seem to be, particularly if something is not done to assure us of transitions in the livestock industry and to assure exports in grains, that with these increasing costs, we could actually see a decrease in farm prices and ranch prices.

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This is truly alarming, and would be devastating for the national economy.

Senator BELLMON. Governor, you have made a very eloquent and very well-informed statement. The committee and our staff will get a great deal of value from it as we undertake to write a new farm bill.

I am particularly impressed with the pleas you make for making certain that we have an adequate supply of energy available for agriculture. We had around this table during the embargo many impassioned pleas for us to do something about the fact that supplies of natural gas as fertilizer feed stock was being curtailed and the supply of liquified petroleum gas for farm heating was inadequate.

What you have said, if the Congress were to take action that reduced the price of crude oil, there would be a considerable reduction in the supply of oil and gas available.

Governor BOREN. Yes sir, there is no doubt about that.

As I talk to people in the Congress and in the administration, they talk about the twin goals of holding consumption down as much as possible, but increasing production. I am afraid that I see too much on the side of really decreasing production, not at all increasing, but actually decreasing.

It is important that we do not roll back prices on our marginal wells and it is vital that we decontrol natural gas so that we can have increased incentives for its production. This has been our experience—Oklahoma is both a consuming and producing State, so we are a pretty good microcosm of both kinds of States.

Our experience has been that deregulation—I have those statistics which could be read into the record—we experienced very small increases to residential users, for example, in natural gas through decontrol, only 21 percent in 4 years, less than the rate of inflation. Yet, we know control at low prices has caused the national supply of natural gas, the supply available for the production of fertilizer and other purposes, to decline.

It seems to be imperative that we move in both directions, as far as the energy supply is concerned, and its impact on agriculture.

Senator BELLMON. Governor, if you have statistics showing the relationship between supply and price or anything else that would be helpful, we would welcome them for our record.

Governor BOREN. I do not have them with me. I have them here in Washington. I will have them left at your office, Senator.

Senator BELLMON. Within the next week.

Governor BOREN. I would be glad to do that.

[The following material was subsequently received for the record:]

NATURAL GAS DEREGULATION—WHAT THE FREE MARKET CAN DO

1. Oklahoma is the only or one of the few States which has competitive free market for natural gas.

1970–74

New gas at wellhead 21.5¢/MCF: 85¢=300 percent increase.
Average price paid 18.74¢/MCF: 44.15¢=140 percent increase.
Residential cost 87¢/MCF: 105¢=Only 21 percent increase.
Resources increase: 1 percent.
Demand increased: 4.5 percent year.

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OKLAHOMA'S FREE MARKET

	Fiscal year ending Aug. 31				
	1970	1971	1972	1973	1974
Highest price paid for new gas (cents per million Btu's)	21.5	24	35	65	85
Highest average cost of gas (cents per thousand cubic feet)	18.74	19.65	23.36	32.06	44.15
Highest residential rate (cents per thousand cubic feet)	87	87	90	95	105
Controlled gas reserves (trillions of cubic feet)	2.716	2.715	2.716	2.722	2.737
Net utility requirement (billions of cubic feet)	187	194	194	211	206

Senator BELLMON. I am sorry other members of the committee had to be involved otherwise this afternoon because I believe they would be greatly helped by the comments you made, but I am impressed by your proposal that we encourage the military and other governmental agencies to purchase lightweight beef for use in our different feeding programs. The purpose here, I assume, is to get more cattle out of the cattle population as soon as possible.

Governor BOREN. It has a twofold good effect. It reduces the number of cattle right away by selling calves rather than waiting until they mature. You are also avoiding a greatly increased growth in the poundage available for sale later on. This makes a lot of sense, I think, to buy lighter animals and younger animals, and prevent the buildup of supply. It helps immediately and helps the long run as well.

Senator BELLMON. I believe that was the first time that this recommendation has been made to the committee. We will give it careful consideration. Maybe there is something that we can put into action quickly.

Mr. Barr, do you have any comments you would like to make?

Mr. BARR. No, Mr. Chairman. I would simply like to express our appreciation to the Chair and to the committee for taking their time to permit those of us in Oklahoma to present our views, that the Governor has done most adequately.

Senator BELLMON. Thank you very much. We appreciate your sharing this information with us.

Our next witness is Mr. Lawrence Moore, president, Glenn-Colusa Cattlemen's Association of Stonyford, Calif.

Mr. Moore, if you have a statement, you may read it, or if you would like to summarize it, we will make the whole statement part of the record.

STATEMENT OF LAWRENCE J. MOORE, PRESIDENT, GLENN-COLUSA CATTLEMEN'S ASSOCIATION, STONYFORD, CALIF.

Mr. MOORE. Mr. Chairman and members of the Senate Agriculture Committee, my name is Lawrence Moore, and I reside in Stonyford, Calif. I sincerely appreciate the privilege of appearing before this committee to discuss the serious plight of the cattle industry as seen through the eyes of a small cattleman.

I am a fourth-generation cattleman and have been actively raising cattle since getting out of the Army in 1955. Between my father, my brother, and myself, we run about 350 cows on 5,000 acres of deeded land. We also rent some pastureland in the area. Of this total, I own about 125 cows, and the balance are owned by my brother and father.

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I am the president of the Glenn-Colusa Cattlemen's Association, a local cattlemen's group composed of about 90 dues-paying members. These 90 members are also members of the CCA California State. We have over 100 local members. We have in these two counties around 500 people, if I am right, raising cattle. I would like to make a point there of who belongs to this association.

I am also a member of the California Cattlemen's Association and the chairman of their range improvement committee. The California Cattlemen's Association is a statewide organization of cattle producers, with some 3,700 to 3,800 beef cattle producer members and an additional 500 to 600 associate members.

My appearance before your committee today is somewhat without portfolio, since I am not officially representing any organized group, but speaking as an individual small producer who is concerned about how long small cattle producers can survive under the existing system.

Nevertheless, I did review my statement with the president of the California Cattlemen's Association, and he did indicate to me that this organization has general policy in support of many of the points covered.

The beef cattle industry has not been a healthy, profitable business for most of the past 25 years. In fact, if it had not been for an ever-increasing appreciation in land values, most people in the business would have been driven out long before this. I would comment on that: what we are talking about there, when land used to be worth $20 an acre, we could go out of business—go into business and pay for it out of the business. Now it is $80 or $100. In my area, since they have not made money in the cow business, they have gone back to the banks and increased their loans there.

It has been the value of our land, not the prices we have received for our product, that has kept the thousands of small beef producers in business for at least 18 of the last 25 years. That does not make for a healthy beef industry.

In my opinion, there is a great fallacy amongst the cattlemen that perpetuates poverty at least for the small producer. That fallacy is that we operate under a price mechanism where the law of supply and demand operates freely. Supply to a major degree, and demand to a lesser degree, are influenced by so many laws, regulations, and other controls that the concept of a free market is ridiculous.

Cattlemen say they want to keep Government out of our business. But Government is already deeply involved in many programs that drastically affect our market. Import and export laws, not only on meat but on grains, affect cattle prices, grading laws and procedures affect cattle prices, public land grazing laws affect cattle prices, taxing policies affect cattle prices. And the list goes on. So let us quit kidding ourselves about trying to keep Government out of our business.

In the short time I have before your committee, I would like to list 10 specific areas where I think the Federal Government can, and should take immediate and decisive action to help the cattle industry. If you don't act soon on at least some, if not all of these items, hundreds of small cattle producers like me won't be in the cattle business a year from now—some will be on your welfare and unemployment rolls.

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1. The Federal Government should help deplete the oversupply of beef by slaughtering and canning or freezing a substantial amount of cow beef to be placed in storage for future use, or shipped to undernourished people around the world, where practical. We need to dispose of 18 million cows in 1975 to get our cow herd back where it should be. You could help and I think you should.

2. You should bring pressure to bear on USDA officials to step up the Government purchases of beef for the school lunch program. Beef is high in protein which youngsters need. It's also a good buy today, so more should be served.

3. You should also take whatever action is necessary to increase the food stamp program as long as unemployment figures and inflation continue to rise. I believe these stamps should only be available to the needy, but as the number of unemployed goes up, and as inflation rises, so should the availability of food stamps.

4. You should pass laws that direct all Government institutions, and schools on the school lunch program, to purchase only domestic beef. Such a policy should apply to post exchanges and base exchanges. Such institutions and schools are supported by U.S. taxpayers' dollars—not foreign dollars.

5. A Federal law should be passed requiring that all meat be labeled as to country of origin. The consumer has a right to know what she is buying. She does on virtually every other item, except food. If she wants to buy foreign meat, that's O.K. as long as she knows where it comes from. Then if it's tough, tasteless and stringy, she can't blame the U.S. cattleman.

6. Pressure should be brought on the USDA grading service to put into effect the proposed changes in the beef grading standards immediately, and to pursue further modifications if it appears that they would result in benefits to consumers and producers. Current grading standards encourage overfeeding, waste feed grains, waste energy, waste money, and result in excessive fat and a higher priced product. Helpful changes in this area could be initiated almost overnight.

7. You should reverse the trend of recent years and start appropriating more, not less, funds for research. Research dollars invariably benefit the consumer. Research has allowed us to produce the most, the best, and the lowest priced food in the world. It's one of the best investments you can talk about back home, because it benefits everybody.

8. We need your immediate assistance and support in passing enabling legislation which will allow us to initiate a national self-help market development program similar to the program which exists in the cotton industry and egg industry.

9. I would suggest that in our dealings with other nations you insist on reciprocal trade agreements rather than our current free trade policies. Under our free trade policies we are today the only country with our markets open to imported meat. We can easily become the dumping grounds for all surplus meats, to the detriment not only of domestic producers, but all the consumers. Reciprocal trade means that we treat others as they treat us. It's more equitable, and in the long run a sounder policy than what we have been following.

CCA supports in general the first nine points. In fact, they helped me with it.

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On this last point, I want to make it specifically clear that I am speaking as an individual producer, and not for any organized group. I strongly feel that regardless of what other actions are taken by Government or by industry groups and individuals to help us come out of the existing economic crisis, we must have some kind of a production control program to keep us from overproducing again and again. Cattle organizations have consistently opposed such programs, but I feel that if all cattle producers were polled and each producer was given one vote regardless of the size of his operation, a majority would favor production controls.

It seems to me that the rice people have a highly successful program, which operates under production quotas based on historical production levels. I think such a program is the only salvation for the beef cattle industry, and would like to see you put such a proposal to a vote of all beef producers.

I would like to comment about the rice industry a minute since we live together in the county. As a cattle producer over the hill from the rice people, I took a look at the good points and the bad points of what I thought about the rice program, and I took the bad first.

The worst thing I found out about it, they were making money and I am not. That is the one thing I found out. That is the worst I could really come up with that serves any purpose.

The good part of the rice program is, there are people who are making money in rice. They are making a profit, a good profit. What comes out of this is stabilized economy in our Sacramento County here in the San Joaquin. To give you an example, they use a lot of machinery. The places that are selling the machinery, it goes back to the industry that is making it, and the people who are working there.

You could use the same thing with fertilizer, whatever. I talked to my banker about this. He happens to be against production controls. I said, if there is anything for the last 20 years that has stabilized the economy, what is it? And he said, if I could put it on any one thing, it would be rice.

So we agree on one thing. We do not agree on the program. We agreed on the economic impact of that. I think that is enough on that.

In closing, I want to remind you that this country was developed in large measure by the small family farm. There are still a lot of important values inherent in the small family farm. It is forcing us small farmers and ranchers to sell out to big corporate structures who have other investments to help them support the losses sustained from agriculture.

I do not think this is good. I recognize there is a place in our society for big industry, big corporations, big unions, organized consumer groups, even big government as long as there are checks and balances to keep each in line for the best interests of the country. It is my experience, however, that the small cattle producers have no protection against those with unlimited outside capital moving in and destroying our market whenever market conditions are favorable for them to do so. This is happening and will continue to happen unless you act, and act now.

I appreciate this opportunity to appear before your committee. Thank you.

Senator BELLMON. Thank you, Mr. Moore.

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Mr. MOORE. I brought along—I do not have any witnesses or attorneys with me, so I brought along an extension survey for the last 20 years about the cow and calf producer in California. It shows a return on investment.

Senator BELLMON. We will have this made a part of the record.

Mr. MOORE. I brought a letter from an accountant who wrote a summary. He did not use facts and figures but he felt he could back them up.

Senator BELLMON. We will have both of these documents added to the record.*

Of course, I am a cattle producer, too. I know how you feel. You have good reason to be upset. Think back 18 months on what the calves were bringing in the country.

Mr. MOORE. Right.

Senator BELLMON. Sixty cents maybe. Would you be in favor of production controls, then?

Mr. MOORE. I would. If I look it over, over 20 years. If you were smart, 18 months ago you sold out. You would not be in the cow business, if you were smart, if you were an expert. Some guys did that.

Most of us are not experts because it is a way of life. We stay in because of that way of life and we become a little blind in our thinking to cope with all this. You have a changing world. Sometimes you have to change the system and the policies to cope with it.

Senator BELLMON. The point I want to make is this is a very depressed time.

Mr. MOORE. Right.

Senator BELLMON. It might be a mistake to write a program just now because of these particular conditions.

Mr. MOORE. I will accept that point. In my evidence there and what I am trying to say is the cow and calf producer has not made it over the last 20-year period. He has been going backward. If you are going to have a policy, you have to do it in hard times because they are pretty hardheaded because of their way of life, and he would not get it if he were looking up a little bit.

Does that make sense?

Senator BELLMON. I see what you are saying.

Mr. MOORE. I am looking at a 20-year period. I cannot look at a big year, a good year, and a bad year back to back. You should be able to cope with that. If you ran your business right or if you are making a profit over those other years and you did not get greedy and try to expand and keep going to the bank, you could cope with that. But if you are losing money over the long-term haul, it is pretty tough to cope with it when you have already been back to the bank.

That is what I am trying to bring out there.

Senator BELLMON. All right, Mr. Moore, thank you very much. We appreciate your testimony.

Mr. MOORE. Thank you very much.

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*See p. 1024.

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[The following material was referred to on p. 1023.]

MATSON & ISOM ACCOUNTANCY CORP.,
February 13, 1975.

Mr. LAWRENCE MOORE,
President, Colusa Cattlemen's Association,
Stonyford, Calif.

DEAR MR. MOORE: You have asked me to give my opinion on the financial operations of cattlemen in the Glenn, Butte and Tehama County areas, drawing on my experience over the past 10 to 15 years in working with their accounting records.

As I recall, it has been very difficult for the small cattleman to stay in business over this period of time, and in many cases even the ones who operated on a larger scale had similar experiences. This has been due mainly to the fact that the value of the animals has not increased in proportion to the other costs that have continued to climb, such as property taxes, land values, cost of feeds, and labor. Many cattlemen have stayed in business only by inheritance, other sources of income, or by increasing the loans on their property, thus continually using up their equity just to stay in business. Many of the cattlemen realized that their businesses were not profitable, but it has been the way of life for them and their families for many years and it was difficult to make a change.

I believe that the only way we will continue to have cattle operators is to make some arrangement where the cattlemen can make a normal profit on their operations. This probably would be tied to some type of government control where the values are guaranteed to generate a reasonable return for the efficient cattle operator.

Unless the trend that I have seen over the years is changed, it is my opinion that the small and medium-sized cattle operator cannot continue to stay in business. Even though cattlemen want to remain independent, without governmental interference, they are influenced so much by other activities controlled by government methods that there is really no other alternative other than to consider governmental controls. This method must be considered to alleviate the plight of the cattleman.

These are just a few of my thoughts taken from experiences in working with cattlemen and their records of income or loss over the past 15 years. I hope that this information will be of some use to you and if I may be of any further service, please let me know.

Very truly yours,

W. HOWARD ISOM, CPA.

AGRICULTURE EXTENSION SERVICE,
UNIVERSITY OF CALIFORNIA,
Orland, Calif., February 16, 1974.

To: Lawrence Moore.
From: Monte Bell.
Title: Farm Adviser.
Re: Beef Production Costs.

DEAR LAWRENCE: Please excuse the hand written note but our office is closed today and tomorrow.

Attached is a listing of some cost and return figures developed by Dr. A. D. Reed farm management specialist at the University of California, Davis, in cooperation with farm advisors and ranchers. It includes 53 studies during 1950–1974.

Only eleven have shown a profitable net return per cow and from 1963–1974 all have shown losses ranging from 0–$264 loss per cow.

Return on investment including land averaged 1.1 percent. (From 1968–74 about ½ percent).

Note that some of the figures do not include investment in range land.

Sincerely yours,

MONTE BELL.

TAKEN FROM UNIVERSITY OF CALIFORNIA AGRICULTURAL EXTENSION SERVICE COST STUDIES

Year and county	Investment per cow	Income per cow	Net per cow	Average value per hundred-weight	Percent return on investment
1950: Modoc	[1] 358	123	3	22.17	[1] 5.9
1951:					
Lassen	[1] 241	160	54	27.65	[1] 27.6
Modoc	[1] 318	168	43	28.59	[1] 18.5
1952: Modoc	560	131	15	23.36	9.7
1953:					
Modoc	573	99	(19)	15.94	1.6
Lake		165	(87)	14.25	
1954:					
Lake		140	(43)	15.34	
Modoc		88	(14)	14.98	
1956: San Benito	[1] 220	103	1	17.03	[1] 6.1
1959:					
Marin	1,250	137	6	20.14	4.6
San Benito	1,460	146	74	23.72	5.1
1961:					
San Benito	2,068	133	(43)	20.21	2.2
Mariposa	1,178	109		22.99	3.1
1962:					
Colusa	[1] 255	135	13	19.60	[1] 10.3
Fresno	1,178	112	(31)	23.08	2.8
Butte	1,094	127	20	22.20	1.7
Kern	1,823	101	(64)	20.68	.8
Amador	1,562	111	29	22.57	1.8
1963:					
Shasta	654	136	10		1.6
Fresno	1,754	110	(60)	21.22	.7
San Joaquin	1,528	112		23.08	1.7
Sacramento	4,008	102	(57)	17.07	.5
Humbolt	1,390	81	(76)	19.80	.5
1964:					
Napa	2,636	102	(131)	21.13	(.1)
Calaveras	1,345	106	(101)	21.05	(1.6)
Butte	930	107	(72)	22.16	(1.8)
1965:					
Stanislaus	[1] 337	131	(21)	21.73	[1] (1.8)
Santa Barbara	[1] 284	119	0	21.52	[1] 5.7
		97	(73)	16.79	
San Mateo	3,712	109	(229)	19.81	(.2)
1966: Fresno	1,566	120	(74)	21.02	.8
1967:					
Humbolt	1,025	110	(17)	20.70	3.8
San Benito	3,430	152	(174)	19.69	.9
P. Sierra		154	(2)	21.30	
Kern	1,282	113	(124)	23.18	.5
Placer	2,71	106	(104)	21.40	(2.7)
1968:					
Tehama	[1] 300	107	(54)	23.66	[1] (.1)
San Joaquin	1,210	122	(85)	22.43	(1.6)
Sacramento	2,303	129	(199)	22.05	(3.4)
Merced	[1] 274	125	(34)	24.06	[1] (6.6)
1969:					
Santa Barbara	[1] 347	149	(4)	28.20	[1] 6.5
Butte	1,497	155	(107)	31.85	(.9)
1970: San Benito	3,156	146	(177)	27.98	1.2
1971:					
Amador	2,457	142	(198)	24.57	(1.6)
Fresno	1,900	162	(104)	30.12	1.4
Merced	1,760	157	(102)	30.02	1.1
Stanislaus	3,295	159	(208)	30.84	.6
1972:					
Modoc	1,096	113	(68)	28.57	(2.2)
San Luis Obispo	[1] 421	179	(22)	35.04	[1] 1.6
1973:					
Placer-Nevada	2,828	221	(162)	41.46	1.0
Tulare	2,514	241	(84)	45.68	3.4
1974:					
San Luis Obispo	[1] 588	249	(9)	47.85	7.0
Stanislaus	3,222	229	(264)	41.60	.6

[1] Not including investment in rangeland.

Senator BELLMON. Our next witness is Mr. Floyd Myers Marsh, president, National Wool Growers Association, Williams, Calif.

We have a couple of Californians here today, Mr. Marsh. I did not think to tell our previous witnesses but we do have a clock over here. It is supposed to allow our witness 10 minutes. If you can hold your testimony with that, we would appreciate it very much.

STATEMENT OF FLOYD MYERS MARSH, PRESIDENT, NATIONAL WOOL GROWERS ASSOCIATION, WILLIAMS, CALIF.

Mr. MARSH. Mr. Chairman and members of the committee, we are very pleased to be here with you today and we are going to delete some points in our formal statement in the interest of time.

Senator BELLMON. Do you have somebody else with you?

Mr. MARSH. Yes, sir. We have Mr. Earwood, president of the Sheep and Goat Raisers of Texas, and Mr. Laird Noh, president of the National Lamb Feeders.

Senator BELLMON. All right. Gentlemen, welcome.

Mr. MARSH. Mr. Chairman, members of the committee, my name is Floyd Myers Marsh. I am president of the National Wool Growers Association and I live in Williams, Calif., located in Colusa County in the northern Sacramento Valley. In addition to raising sheep our family farming operation produces a variety of agricultural products.

The National Wool Growers Association consists principally of 22 State and regional sheep producer organizations operating in the entire United States.

Incidentally, sir, Oklahoma is among this group.

Senator BELLMON. I used to be a member.

Mr. MARSH. In this 25-State area approximately 90 percent of the Nation's wool is produced. Some wool, however, is produced by all of the 50 States of this Nation.

The National Wool Act is now in its 21st year of operation. It enjoys the unqualified support of all major segments of the wool industry from the producer to the manufacturer. During its life the act has been supported by both Democratic and Republican administrations.

Under the National Wool Act, growers sell their wool through normal marketing channels. At the end of a marketing year, the average price received for wool sold during the period is determined. Payments at a single percentage rate are then made to bring the national average price received by all growers up to the incentive level. There is a parity index formula in the act to determine the incentive level. This level is applied to the net sales proceeds received by each grower to determine the amount of his incentive payment. By making the payments on a percentage basis, growers are encouraged to improve the quality and marketing of their wool in order to obtain the best price possible, because the higher the price the individual gets in the free market, the greater his payment.

For the years 1971 through 1977, by virtue of amendments to the National Wool Act, the incentive level has been frozen at 72 cents per pound. If the formula in the act were now permitted to operate, the incentive level for the 1974 marketing year would have been 86 cents per pound. We strongly urge this committee to include in the Agriculture and Anti-Depression Act of 1975, a further amendment

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to the National Wool Act which would eliminate the ceiling on the incentive price at 72 cents per pound of shorn-wool and 80.2 cents per pound for mohair, in order to permit support prices to be determined in accordance with the formula prescribed in the act.

Sheep numbers in the United States are at their lowest level since the Civil War. In 1941, there were in excess of 50 million sheep in America, and today there are approximately 14 million. The decline of the sheep industry is attributable to several factors, but the principal problem areas confronting us today are: excessive losses from predatory animals.

Mr. Chairman, at this time I would like to show you some pictures that were taken last Friday of lambs that were killed at my ranch.*

A severe shortage of qualified labor. Marketing difficulties, principally highly concentrated packer purchasing power. Competition for wool from synthetic fibers.

Many people in this country have written off the sheep industry, but I assure you it is far from dead, and I am here today to plead with this committee and the Congress to enact legislation which will foster a revival of sheep and goat raising in the United States. Chairman Talmadge has called for advancing "renewable resource husbandry." I wish to stress to this committee that cf all red-meat animals, the sheep is the most efficient converter of natural energy. A sheep is raised on grass, water, and sunlight, and it takes little or no grain and far less fossil fuel to produce a pound of lamb than any other meat.

Now more than ever it should be the policy of the Federal Government to encourage sheep production. But on the contrary, it is precisely because there is no program, but fragmented regulation by numerous agencies, oblivious to the problems and needs of the sheep industry, that production has declined.

The most serious difficulties which beset the sheep industry are beyond the control of the sheep producer. Experts agree the industry could be turned around if there were a national recognition of its value and a determination of the Federal Government to remedy the problems which the sheepmen are unable to correct.

Since the proclamation of an Executive order by President Nixon in February 1972, which prohibited the use of chemical toxicants for controlling predatory animals on Federal lands, and a subsequent EPA order which banned the interstate shipment of these toxicants, effective alternative methods of controlling coyotes have not been found. The result has been an explosion in the coyote population in many areas of the United States. This has brought untold decimation of sheep, cattle, poultry, and wildlife.

These facts are now well known to the Ford administration, and despite acknowledgment that corrective action must be taken, nothing has been done. For the sheep industry alone, millions of pounds of red meat and natural fiber have been wasted. Hundreds of producers have been forced to abandon sheep raising, bringing economic hardship to individuals and communities alike.

It is immediately within the power of the Federal Government to control coyotes without damaging the environment if only the Presi-

* The pictures referred to are retained in committee files.

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dent would, in effect, declare it is in the national interest to raise sheep and control coyotes.

Mr. Chairman, you yourself know in your fine State of Oklahoma that the coyotes are a very serious menace to your sheep industry.

The labor shortage in America for sheep industry is very difficult. It has been virtually impossible for the American sheep producer to find sufficient qualified domestic labor, and consequently, contract shepherds are brought in from several foreign nations. The Labor Department knows full well of this need, and displacement of American workers is not an issue, but yet, because of untold redtape involved in the Labor Department's "certification procedure," it is now taking up to a year to bring a foreign herder into the United States. Also, the Department refuses to realize the uniqueness of working conditions in our industry and is forcing us to comply with onerous standards we often find impossible to comply with. There are no excuses for these actions, but yet the pleas of numerous legislators and the sheep industry to the Department of Labor to make their own procedures work have gone unheeded.

In marketing difficulties, the U.S. Department of Agriculture studies have found sheep producers face perhaps the heaviest concentration of buying power for their products of any agricultural industry. This is one area in which the sheepman can help himself, and he is. With USDA assistance, and under the leadership of the National Wool Growers Association, a series of regional marketing cooperatives is being established in order to enable producers to obtain better prices for their animals. We are confident of the success of these organizations.

Environmentalists and Government critics of the sheepmen's efforts to bring about recognition of the need for improved conditions for sheep production are often heard to say the sheep industry has declined because textile manufacturers curtailed the use of wool, in preference to synthetics. Of course, the impact in manmade fibers was a factor in reducing sheep numbers, but it is not what has forced most producers out of business. Today there is not enough wool to meet the demand, as wool is once more being recognized for its value. And we should be producing more natural fiber to help conserve energy.

Mr. Chairman, and members of the committee, I have just finished reciting a litany of the main grievances of our industry. It is but one segment of American agriculture, and a small one at that. But, our problems are similar to those of other phases. Perhaps we are all guilty of focusing only on our individual set of problems and by so doing, we lose sight of the big picture and where we fit into it.

We strongly endorse the concepts espoused by Senators Humphrey and McGovern which call for a national policy on food and agriculture, but I wish to point out that unless such a policy is established, not only by a broad congressional mandate but is implemented by the executive branch in such a manner that all departments and agencies which administer programs affecting food and agriculture, are made to do so in line with national goals, the policy will be ineffective. We sheep producers know only too well the impact of fragmented Government regulation upon agricultural producers can very often be more hostile and damaging than adverse market forces or Acts of God.

We recommend that the Agriculture and Anti-Depression Act of 1975 include provision for the establishment of a National Food and

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Agricultural Policy Commission within the Executive Office of the President. This Commission would be divided into various commodity boards. Since we represent a segment of the American livestock industry, for the sake of example, let me explain why a National Livestock Policy Board is needed and how it might work.

As you have noted from my testimony, most of our problems are not with the Department of Agriculture. Rather, we suffer from the failure of other Governmental agencies to realize what our problems are. We believe, for instance, the EPA and the Labor Department really don't care what happens to the sheep industry—it's not their concern. But it is in the national interest that more sheep be produced. This can never come about unless stimulated sheep production is made part of a national program which balances the meeting of our food and fiber needs with such considerations as protecting the environment and sensible employment practices.

A National Livestock Policy Board would be comprised of representatives of all agencies and departments which administer laws affecting livestock production and marketing. A comprehensive and uniform overall Government policy would be generated and maintained, designed to achieve certain goals in red meat production and prevent harmful economic conditions from occurring. Interagency conflicts and misunderstandings would be resolved within this framework. Needed programs of research and development would be identified and legislative recommendations approved.

Of course, there would have to be commodity boards for other industries with interrelation between them for the establishment of an overall food and agriculture policy.

In making these proposals we are not talking about an enlarged bureaucracy. We just want the bureaucrats to talk to each other and be given overall direction from the top. Unless we have this, agriculture, in general, and our industry in particular, will continue to suffer.

For its part, the Congress could aid in developing and monitoring these national goals by charging the Office of Technology Assessment to study and recommend systematic approaches to agricultural production, thus making available to all committees a large body of information which could serve as a basis for coordinating what might otherwise be independent legislative efforts.

The American sheepman wants to produce more lamb and wool, and many who have been forced out of production want to start again. We want to play a larger role in food and fiber production here in America. We want to sell our products and technology abroad. Middle Eastern nations would gladly trade lamb for oil. We are trying to do our part, but we need a recognition of the value of our industry and a governmental policy that encorages us to produce. We look to this committee to assist us.

Thank you.

Senator BELLMON. Thank you, Mr. Marsh.

Before I ask you questions, do you other gentlemen have statements that you want to make or enter into the record?

Mr. NOH. Yes, sir.

Senator BELLMON. Mr. Marsh, have you had any dealings personally with these materials that you use to control coyotes, these chemical toxicants?

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Mr. MARSH. Yes, sir, not directly. We have a Government trapper who has used the toxicants on our ranch, the M-44, which is the humane coyote getter.

Senator BELLMON. Is this material now outlawed, it cannot be used any longer?

Mr. MARSH. It was outlawed under the Executive order because it could not be transported across State lines and there was only one area that was manufacturing it. You could say it was outlawed for our use. Today it is offered to us on an emergency basis after we have sustained 2 percent losses in our numbers, sir.

After 1 month on our winter range, we have sustained a 2 percent loss in our particular sheep flock and we made the request this week for the use of the M-44.

Senator BELLMON. It would be used by a Government trapper?

Mr. MARSH. Yes, sir.

Senator BELLMON. You do not feel this is a satisfactory arrangement?

Mr. MARSH. Well, sir, we have lost 2 percent of our flock. That is a substantial loss to have to cope with. Some losses in our sheep country have ranged up to 30 percent in the last several years since the Executive order.

Senator BELLMON. You can see that predators are more a problem now than they were before the Executive order was promulgated?

Mr. MARSH. Yes, sir. The level of loss before the Executive order could be lived with. The losses we are receiving today cannot be lived with. Some of the folks have been forced out of the sheep business to harvest their grass. They have gone into cattle, and it only adds to the surpluses of beef.

Senator BELLMON. Thank you very much for a fine statement.

Mr. MARSH. Thank you, sir.

Senator BELLMON. We will keep your ideas in mind. Before you leave, Mr. Marsh, I have been presented with two questions at the request of Senator Tunney of California, if you do not mind. I will present these questions to you now. They are not too far from what I was asking you. Could you briefly summarize the coyote situation today? How bad is it? And what is the Federal Government doing about it?

Mr. MARSH. I could only characterize the coyote situation in America today as a catastrophe. We have folks losing up to 30-40 percent of their flocks all over the United States from Georgia on the east coast to California on the west coast. The Federal Government is continuing their involvement in a trapping program. It is ineffective because they have taken away some of the tools of the trappers that they used responsibly for 40 years.

So that we can only ask Congress and the administration to review their position on it, particularly the administration, and perhaps determine a new policy.

Senator BELLMON. The second question—would you elaborate on your statements concerning a national livestock policy board as a part of a national food and agriculture policy? What do you have in mind for the board to do?

Mr. MARSH. We had in mind that perhaps they could assist in determining that, some of the broad decisions affecting livestock

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producers by the agencies, a guideline could be developed so every Government agency, such as the Department of Labor, the Department of Agriculture, the Department of Interior, that some of us in agriculture are involved with would understand that we producers have to have some reasonable and speedy answer to some of our problem areas.

For instance, the Labor Department is making it very difficult to obtain foreign herders and sometimes delaying us over a year to obtain the services of a herder. We all know that sheep and goats have to be attended to and there has to be someone there to herd them and take care of them. Some of these redtape measures must be cut down.

Senator BELLMON. Thank you.

Senator Huddleston, do you have any questions?

Senator HUDDLESTON. I just wonder, these coyotes—do they have any value at all? Do they make any contribution except baying at the moon on occasion?

Mr. MARSH. We are not for the elimination of the coyote. We would like to see the coyote in the environment. But we would like to see his numbers kept at a reasonable level. I will add that there is no natural predator to the coyote in the system.

Senator HUDDLESTON. Nature does not tend to reduce its number.

Mr. MARSH. No, and man seems to provide an environment which favors the growth of coyote numbers without some responsible control.

Senator HUDDLESTON. Are there other animals besides the coyote? Are dogs a problem?

Mr. MARSH. Yes, sir; wild dogs and domesticated dogs that run in packs can be a serious problem. But these can be controlled by regulatory officials.

Senator HUDDLESTON. That is all I have.

Senator BELLMON. Thank you. Mr. Marsh.

The next witness that we have is Mr. Noh. You are with the National Lamb Feeders Association from Idaho.

STATEMENT OF LARID NOH, PRESIDENT, NATIONAL LAMB FEEDERS ASSOCIATION, KIMBERLY, IDAHO

Mr. NOH. Yes, sir, that is correct.

Senator BELLMON. Mr. Noh, we are trying to stay within a 10-minute limitation. If you have a longer statement, we should make it a part of the record.

Mr. NOH. I also serve as the chairman of the Predator Committee for the National Wool Growers Association.

Certainly, the National Wool Act has been very helpful to us in sustaining the sheep industry. One of the beneficial aspects of that program has been the self-help advertising promotion aspect of the act. However, I think what really bothers the sheep industry, and it goes back to this question of an overall policy committee for the sheep industry or agriculture, is that while USDA may be fostering food production and wool production and then there are other agencies destroying that production.

At this point the Government's policy both from Congress and the White House is antiproduction of sheep at a time when it is the

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most efficient converter of nonusable forages to choice meat right on the table and at a time when the Middle Eastern countries are looking for lamb. They want it, it is their meat.

So we think the sheep does have a very useful role to play in the Nation and the world.

One thing that we would like for this committee to involve itself in, if it could, is to insure that the FIFRA Act, the basic pesticide act, is administered and enforced and actively implemented by EPA in objective fashion.

Frankly, we have seen in our industry a situation where EPA has become too much of a political organization. We see their scientists come before panels of predator experts and they have to apologize and say EPA decisions are not based upon facts. They are based upon political considerations.

We see our only hope at this point as the proper implementation of FIFRA, so we have some recourse to law to implement this act which is designed to encourage food production, and at the same time, to insure the integrity of the environment. We have a problem with our predator situation in Congress because it comes under the jurisdiction of the House Merchant Marine and Fisheries Committee and the Senate Commerce Committee and there are no westerners on those committees, or at least very few. But it is a western problem and to understand it you need to be from the west or have had appropriate experience.

Maybe you could help us out there.

From the lamb feeders standpoint we think it is perhaps immoral and certainly irrational to maintain a law which says you have to condemn an entire carcass of meat just because it has some DES residue in the liver. Why not just throw away the liver? Certainly, imported carcasses coming in from other countries without livers do not have those problems which our industry must face.

That, we think, must be dealt with.

There is also a difficulty for relatively small industries which offer a less lucrative market to drug manufacturers to obtain the necessary biological supplies, vaccines and this sort of thing, to keep animals alive and healthy. Other nations tend to get a real competitive advantage over us. New Zealand has a big sheep industry. Therefore, a lot of resources are put into developing drugs and products for those people. We cannot get them because the industry is too small to make it profitable for the companies to enter into the very expensive and elaborate registration provisions.

Maybe there is no way out of that trap. I do not know.

We, of course, have problems with public land policies, grazing fees, which, at this point, are being set in such a fashion as to attempt to destroy the very real investment in public land permit values and some attached land values. There is a genuine problem in the public land States with funding for BLM land management programs and national forest land management and resource programs. This is not only hurting in terms of meat production, but is creating a situation where the livestock industry may very well bear the blame for a lack of resources and proper management of the range.

We do hope you will give serious consideration to this question of coordinating agricultural policy. In dealing with our predator dif-

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ficulties, we have had to cope with a minimum of five different agencies. It is terribly difficult to get them all together, to touch base with all of them to get any sort of agreement on just what the policy really is.

We think that maybe it would be useful to get everybody down at the table talking rather than playing all of these little games of putting pressures here and there and all of the maneuverings that have to take place.

At any rate, we do think that the sheep industry has a good role to play in the future of this country and perhaps in the world and we ask your help in encouraging policies which will encourage that production.

Senator BELLMON. Thank you. Senator Dole.

Senator DOLE. I have no questions but appreciate the problems you have raised. I think you are right, particularly the last one, to get it all together. Then you have the legislation to go to committees. They are probably, I would not say sympathetic, but there are not many westerners on those committees. It ought to go to Interior.

Senator BELLMON. Senator Huddleston.

Senator HUDDLESTON. For the sheep grower, what percentage of his profits or income comes from the meat aspect, and what percentage from the wool.

Mr. NOH. We should sell, on current markets, $40 worth of lamb on a national average. That might be a little high. On the current market we would derive about $3 for wool. With the average payment under the Wool Act, we will probably realize $7 of revenue from wool.

Senator HUDDLESTON. How many times do you take wool from the same sheep?

Mr. NOH. Once a year; if she is a good healthy sheep she will live 5 or 6 years.

Senator HUDDLESTON. Then what happens. Is it still available for meat?

Mr. NOH. Yes. That becomes mutton. A great deal of that is an export item to Mexico.

Senator HUDDLESTON. Lamb chops come from the younger lamb?

Mr. NOH. That is correct.

Senator BELLMON. You raised the point about the shortage of labor. Our previous witness made the same point. It is rather ironic at a time when unemployment is now over 7 million people in the country that you would be suffering a shortage of labor.

What is the problem?

Mr. NOH. There are two problems. One is in the herder supply. That has been pretty well taken care of with the import contract labor program. We do have some difficulties with administration. Again, it is east versus west. The Labor Department, which must implement migratory and imported labor regulations cannot understand that people may live in tents to herd sheep, and they have proposed regulations that you have to take flush toilets out to the back country and the only way to get there is pack horses.

Of course, this is work 7 days a week, out in the sticks, living with the sheep; people do not always like to do this kind of work. Last spring our people were forced to sign regulations or a contract as a condition of acquiring herders, saying that they would build permanent wintertime facilities for their help, even though some of those

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people were migratory 12 months out of the year. They had no place even to build these facilities. They did not own land to build the facility anywhere.

That has been worked out, but we are still dealing with this same sort of thing. If we have informed and reasonable enforcement of regulations, we can take care of the herder problem with men from Spain, the Basques, some of the Peruvians. These sort of people do a good job for us, and we want to treat them right and have reasonable regulations.

Shearers are an entirely different story. There are no provisions to bring these people into the United States. Perhaps some of our unemployed could be trained. It is very hard work. It is dirty work, too, and it requires some training and some skill. Again, I guess it is the basic question of whether or not you can quickly and reasonably convert the unemployed into trained workers with the willingness to do the job and do the work. We think there needs to be a real look at the problem of labor for shearing sheep. There may be some union difficulties tied in there. We hear problems about inability to get shearing tools through the union offices in Montana.

We have had all kinds of schools and training programs for shearers, and we just cannot seem to get people.

Senator BELLMON. How much money could a good sheep shearer make in a day?

Mr. NOH. In our area, he can earn $100 a day.

Senator BELLMON. You cannot get people to do that kind of work?

Mr. NOH. No, sir. It is somewhat seasonal. But if he follows the sheep, he can shear quite a few months straight.

Senator BELLMON. You have had programs to train people to shear sheep. You do not have many participants?

Mr. NOH. Mr. Earwood from Texas is more qualified to speak on that training program.

Senator BELLMON. It seems ironic to me, also, that we would be importing people from other countries to herd sheep, to do jobs you have on your ranches. Have you tried importing anybody from Brooklyn?.

Mr. NOH. Yes, sir. Before the program was established, we went through all that with the Labor Department and gave it a good honest try. They were willing to accept it would not work.

The culture is changing. We are seeing a few more young people who want the out-of-door life. Unfortunately, some of that is a little bit overromanticized.

Senator BELLMON. Do you think there is anything this committee might do to help bring some Americans into the areas where there are jobs and maybe get some off the welfare rolls in the cities?

Mr. NOH. I personally am not that familiar with the procedures for doing so. I would think if there is any way to funnel some of these people or orient some of the training programs for unemployed people to shearing, especially, and perhaps to herding, we would all be in favor of it. We are willing to try anything.

Senator BELLMON. You are not necessarily prejudiced against somebody from Detroit.

Mr. NOH. Not at all. But he tends to get a little bit scared when that grizzly bear is growling outside the tent.

Senator BELLMON. I have no further questions.

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Mr. Noh, we thank you for a very fine statement. We will give your recommendations careful consideration.

[The prepared statement of Mr. Noh follows:]

STATEMENT OF LAIRD NOH, PRESIDENT, NATIONAL LAMB FEEDERS ASSOCIATION, KIMBERLY, IDAHO

Mr. Chairman and members of the Committee on Agriculture, I am Laird Noh of Kimberly, Idaho. I appear before you today as president of the National Lamb Feeders Association. I appreciate the opportunity to testify in these hearings designed to develop "the Agriculture and Anti-Depression Act of 1975."

THE IMPORTANCE OF THE AMERICAN SHEEP INDUSTRY TO THE ECONOMY OF THE UNITED STATES

Mr. Chairman and members of the committee, the Department of Defense has indicated a domestic supply of wool is vital to the Nation's defense. Certainly, the production of few agricultural commodities so lack dependence upon crude oil supplies as do lamb and wool. At the same time the oil rich Arab nations, with their strong preference for lamb offer fascinating possibilities for trade.

For domestic consumers wool's unique qualities of fire-resistance and insulation of body heat, even when wet, are more important as thermostats are turned down. Lamb production clearly offers the only possibility at this time for increased production of superior grade meat with little or no reliance upon cereal grains. We in the sheep business are excited about the potentially greater contribution our industry can make towards feeding the people of the world in the years ahead, if only we are afforded conditions which enable us to do so.

VALUE OF THE WOOL ACT

This Committee is exploring methods of providing income protection for food and agricultural products. The Wool Act does provide some such protection to our industry. The program is designed to stimulate production of high quality products. For price stability, its incentive structure also encourages increased marketing when prices rise and reduced marketing of wool when prices fall. This is particularly useful to a product highly sensitive to economic conditions. While lamb prices have held fairly constant during the past two years wool prices have fallen by one-half to three-fourths. The rising labor costs for shearing (which have risen in my area over 30% in two years), freight rates and packaging costs, currently amount to over 60% of the free market price for wool. Income to producers from Wool Act payments (there was no payment for 1973, but will be one for 1974) constitute a relatively small portion of total return to a producer, because income from the sale of meat forms the large bulk of gross revenue. However, income from Wool Act payments often constitutes a large portion of *net* income and, hence, is very helpful in sustaining sheep production.

GOVERNMENTAL POLICIES DISCOURAGE SHEEP PRODUCTION

While the incentives of the Wool Act and Department of Agriculture programs have encouraged meat and wool production other segments of the Federal Government have actually promoted income reduction plans—quite irrationally—for the domestic sheep industry. Actions with no basis in fact have eliminated the use of all chemicals for coyote management. Chemical pest control is used in all other food industries and is even used in lakes and streams to control pest species of fish. Sheep production has been drastically reduced, especially in rougher areas of the West where available forage resources can be utilized in no other practical manner for food production.

In our case, and I expect with many other agricultural producers, this Committee could provide a large measure of income protection by ensuring the Federal Insecticide, Fungicide and Rodenticide Act is fully implemented and professionally administered by EPA, as was originally intended by this Committee. The scientific arm of EPA should be strengthened at the expense of the political arm. Too many EPA decisions are based upon what is acceptable to the public rather than what is factually correct. We have frequently witnessed scientists from EPA, when confronted with angry and questioning colleagues from the scientific community, reply in embarrassment that EPA decisions, have been and probably will continue to be, based upon political considerations rather than fact. Neither the environment nor the food supply are served thereby.

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In another example of governmental excess, we believe there is a basic absurdity in a requirement which results in the destruction of an entire meat carcass when residue of DES is found only in the animal's liver. Why not throw away just the liver? Imported meat, without attached livers, is not so regulated.

Where was reason, and scientific input, when the Wild Horse Act stampeded through Congress? No wildlife biologist or range manager in the West would support the measure as written. Now, millions of dollars in wasted resources are being squandered while truth sneaks in enough to cause amendments to make the Wild Horse Act workable.

LABOR AVAILABILITY IS A MAJOR CONCERN

With rising unemployment justifiable concern has been raised about security for America's workers. The sheep producer is unable to depend entirely upon our domestic labor force to provide the herders and shearers we need. Perhaps programs should be developed to try to train workers for the sheep industry, but for now our herder needs can only be met under contracting immigrant laborers. But here again we are hampered because a small number of administrators in the Labor Department fail to recognize it is impossible to carry flush toilets on packhorses in the mountains. We support reasonable regulations ensuring proper working and living conditions for imported workers in the sheep industry, but the application of general labor regulations to the sheep industry is making it virtually impossible for us to obtain foreign herders when we need them.

Shearers are another story. No provision has been made to allow entry of immigrant labor on a seasonal basis for shearing of sheep. My personal shearing costs have risen from 75 cents per head four years ago to $1.25 per head this year. Shearers are not always available at any price.

At this moment, all of Western agriculture holds its breath as Congress determines the appropriate solution to the illegal alien problem. While many domestic jobs are no doubt taken by illegals, in much of the West the choice is either employ these people or have no workers at all. Hopefully, that distinction will be recognized by Congress.

TRUCKING WEIGHTS

We hope Congress will hold fast to heavier truck weights on highways. It was not only the trucking lobby that supported such legislation. It should be supported by every producer and consumer in America.

ANIMAL HEALTH AND FOOD REGULATION

The high cost of meeting clearance and regulation provisions for animal health products, pesticides and other production tools discriminate heavily against smaller industries which offer less lucrative markets to manufacturers. This is holding back food production, and offering competitive advantages to foreign producers who have approved products at their disposal within their own countries.

MEAT PACKER BANKRUPTCIES

We are very concerned over the potential for lamb feeders and producers to lose an entire year's income, and perhaps their entire life's work, as a result of the bankruptcy of a single meat packer, as has recently been the case. We ask your help in finding a solution to this difficult problem.

THE FRUSTRATIONS OF FRAGMENTED REGULATION

In attempting to cope with our predation problems, it has been necessary to deal with a minimum of five Federal agencies. To a large extent this is true for many areas of concern to food industries. A ruling by one agency contradicts what another agency is trying to accomplish. It is terribly confusing and costly to the industries affected and necessitates extensive lobbying efforts and many expensive trips to Washington by people who should be home producing food. It is costly to Government, too. Why not establish inter-agency committees to coordinate policy for the various major food producing industries? Perhaps each committee could have a chairman or spokesman with sufficient authority to represent all of the agencies to the affected industry.

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LEGISLATIVE RECOMMENDATIONS

Specifically, the National Lamb Feeders Association requests the members of this Committee to consider the following:

(1) Legislation to professionalize the Environmental Protection Agency; and

(2) Rapid and proper implementation of FIFRA;

(3) Reconsideration of the Delaney amendment;

(4) Effecting an evaluation of the legitimate need for both domestic and foreign labor for food production;

(5) Enacting reasonable increases in the incentive level for wool based upon the parity index;

(6) Facilitating availability of animal health products for smaller industries;

(7) Laws permitting the highest practical truck load limits;

(8) Supporting continued research to bring about more efficient food production;

(9) Developing safeguards to insulate producers and feeders from catastrophe losses resulting from sales to bankrupt parties;

(10) Deriving a system of inter-agency committees to coordinate Government policies affecting food industries.

With the adoption of a truly *National* policy designed to encourage, rather than discourage, sheep production, we are confident we can significantly boost the world's food supply and with no adverse environmental impact. Perhaps if our industry were sufficiently strong in the future there would be no need for a Wool Act. Thank you.

Senator BELLMON. Our next witness is Mr. Earwood, President of the Texas Sheep and Goat Raisers Association, and Dr. Percy R. Turner from Texas.

Is Dr. Turner with you?

Mr. EARWOOD. I do not believe he is here.

Senator BELLMON. Does he have a statement?

Mr. EARWOOD. No, sir. We have a combined statement.

Senator BELLMON. Fine.

STATEMENT OF ARMER EARWOOD, REPRESENTING THE TEXAS SHEEP & GOAT RAISERS ASSOCIATION, AMERICAN ANGORA GOAT BREEDERS ASSOCIATION, AND THE TEXAS ANGORA GOAT RAISERS ASSOCIATION, SONORA, TEX.

Mr. EARWOOD. Thank you, Mr. Chairman. My name is Armer Earwood. In am a rancher from Sonora, Tex., producing wool, mohair, and beef. My statements today are made on behalf of the Texas Sheep and Goat Raisers Association, American Angora Goat Breeders Association, and the Texas Angora Goat Raisers Association. These associations are the three which represent the angora goat producers of the United States. I also speak for myself individually.

Mohair is the fiber shorn from the angora goat. It is used in sweaters, women's and men's wear, home furnishings, and many other minor products. Goat meat, Cabrito, is a delicacy used for barbecuing.

Production of mohair in the United States for 1974 was 10 million pounds, down from a peak of 30 million pounds 10 years ago. This reduction has been caused by an imbalance between the increased cost of production and net return. Texas produces about 96 percent of the total U.S. mohair clip. Turkey and South Africa produce 8 to 10 million pounds each.

The American rancher is the best manager, conservationist, and environmentalist in the world. With management plans he trans-

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formed land that supported a few buffalo, deer, and coyotes per section into grassland that now can supply the food and fiber needs for much of our country. Goats play an important part in this plan, since they prefer eating low browse to grass, thus clearing the land of underbrush and allowing grass to grow in once shaded areas.

Agricultural producers number about 1 percent of our population, yet they have made us the best fed, best clothed Nation in history, at the lowest cost. How can anyone allow any part of our agricultural system to die due to an imbalance caused by inflation?

Before the oil crisis, we achieved a balance of payments, with the help of agricultural exports. Mohair played its part in helping to reach a balance since more than half of our clip is exported. In the past few years we have had no stored surplus reserves of mohair anywhere in the world. Manufacturers have expressed concern with decreased production, fearing supplies will not be available to maintain continuous operation.

Sheep and goats are the most efficient converters of solar energy. The leaf mechanism converts the sun's energy into food and fiber directly from the sun at no capital cost from a noninterruptible source. Do we want to overlook our natural fibers in the time of a dramatic fuel shortage?

Most synthetics are made from petroleum products, but not mohair or wool.

Millions of acres of land that are now grazed by sheep and goats are too arid and rough for farming. Why turn this acreage into unmanaged waste lands by not adequately supporting our industry? There is an analogy between food producers and fuel fiber producers. Quickly the world turned from fuel surplus to shortage; quickly the world is slipping from food and fiber surplus to shortage.

Hopefully the fuel crisis will show that adequate incentives must be provided to insure an adequate supply of food and fiber.

We will spend many years trying to become self-sufficient in energy. Agricultural producers are in serious economic conditions and if it becomes worse, we will soon have a new crisis to add to the energy problem. To avoid a crisis in mohair and wool production, we offer the following proposal.

We propose and urge the Congress to continue the Wool Act as written, putting the escalation clause into effect. The Wool Act has helped guarantee our future. Without the use of the escalation clause provided for in the act, however, the whole program will lose its purpose and effectiveness. When the Wool Act was written in 1954, an incentive price of 62 cents on wool and 70 cents on mohair was established. It was determined at that time this difference was a fair relationship of the true value of the fibers. The present act states that the shorn wool level shall be determined by multiplying 62 cents times the indices as defined in the act. The act further states that the Secretary shall maintain approximately the same percentage of parity on mohair as for shorn wool. Therefore, we request that in determining future escalating levels 70 cents be the multiplier used to calculate the incentive prices for mohair.

According to USDA's statistical reporting service report, "Texas Agricultural Prices," the effective parity price for wool, as of January 15, 1975, was 133, with mohair 169. In asking for an escalation,

using the formula as stated in the act, it would raise the level on wool to approximately $1.03 per pound on grease basis, and $1.16 per pound for mohair. I feel this is a very reasonable and just request as it would only make the 1975 level 77 percent of effective parity on wool and 69 percent of effective parity on mohair.

Other commodities, such as cotton and feed grains have escalation plans available to them. We feel that wool and mohair are no less important and should be treated on an equal basis by allowing the use of escalation tied to cost and parity.

Since Texas is the largest wool and mohair producing State, we urge you to help ensure the continued raising of our products to help feed and clothe the world. Let us act now to prevent a disaster for food such as occurred with energy.

Thank you.

Senator HUDDLESTON [presiding]. Thank you.

Mr. EARWOOD. Mr. Chairman, I have a letter here from the vice president of Burlington Industries concurring with our statement. I request that this letter be made part of the record.

Senator HUDDLESTON. Without objection it will be included in the record.*

You make a good point that the land being used for grazing by goatherds is hardly usable for anything else.

Mr. EARWOOD. It was stated earlier that some of this land by having predator problems was turned away from sheep and goats into cattle, and this only added to the problem more and more.

Senator HUDDLESTON. Do you have the same problems with predators in the goat business as you do with sheep?

Mr. EARWOOD. In fact, they may like them a little bit better. They are a delicacy.

Senator HUDDLESTON. What is involved in starting up a herd? If you are forced out of business and then it becomes desirable to go back in, is it a long-range proposition, or can you build up a goat or sheep herd pretty rapidly?

Mr. EARWOOD. There are many problems involved. If you go back and want to be certain that you would not have a predator problem, and that you would have a reasonable assurance that you would have a reasonable return on that product.

Senator HUDDLESTON. Even given that assurance, is it physically a time problem to develop a herd?

Mr. EARWOOD. This takes time to develop a good herd. It takes a lot of management program, breeding.

Senator HUDDLESTON. You cannot reach a high level of production overnight if you are forced out of business?

Mr. EARWOOD. No.

Senator HUDDLESTON. Senator Dole.

Senator DOLE. I have no questions.

I learned something, which you do if you listen and read. We have had testimony now about 10 days. Of course, there has been a lot of testimony on the escalation clause as applied to commodities. This is the first we have had in this area. Secretary Butz will be testifying tomorrow. Perhaps we can raise it with him at that time, to get the Department's attitude on it.

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Mr. EARWOOD. This escalation has been written in the act, but it has not been used.

Senator DOLE. Thank you.

Senator HUDDLESTON. Thank you, Mr. Earwood.

[The following material was referred to on p. 1039.]

BURLINGTON INDUSTRIES WOOL CO.,
San Angelo, Tex., February 14, 1975.

Mr. ARMER F. EARWOOD
Post Office Box 954,
Sonora, Tex.

DEAR MR. EARWOOD: Burlington Apparel Fabrics believes in using our U.S.A. "domestic" wool clip. We are a major consumer of the domestic clip and believe that the marketing system now being used is beneficial to the wool growers of this country.

Most of the wool is sold each year, and there has been no excessive stockpiling of this product in our country because of the incentive program.

Our incentive program as it now exists has given the U.S. wool growers some economical stability in the price of the product he sells, and it also benefits our local mills in that they have been able to buy a major amount of their wool requirements in the U.S.A. each year.

Sincerely yours,

WYLIE L. MCDONALD, *Vice President.*

Senator HUDDLESTON. Is Mr. Hirth here?

Mr. Hirth, welcome to the committee, If you will, identify yourself for the record and proceed with your statement. If you have a longer statement for the record, we will be glad to include the entire statement.

STATEMENT OF EMANUEL HIRTH, CHAIRMAN, FEED GRAINS COMMITTEE, UNITED EGG PRODUCERS, MANCHESTER, CONN.

Mr. HIRTH. Mr. Chairman, Senators, my name is Emanuel Hirth. I am chairman of the Feed Grains Committee of United Egg Producers and serve as a director on the board from the northeast region. I am general manager of Central Connecticut Farmers' Cooperative located at Manchester, Conn.

Today I wish to present the views of United Egg Producers relating to the much discussed and needed changes in the Agriculture and Consumer Protection Act of 1973. I have with me today John Pedersen, director of marketing and statistical analysis for United Egg Producers, who will assist me with any questions you might have regarding this testimony or other matters relating to the commercial shell egg industry.

I wish to express the regrets of President John Wallace, who usually appears before congressional committees in behalf of our organization. Due to a previous commitment, Mr. Wallace asked that as a director and chairman of the feed grains committee that I pinch hit for him here today.

On behalf of our members, I wish to thank you for this opportunity to relate the mutual concern egg producers have with feed grain producers over the shortcomings of the 1973 farm bill. Certainly this is no reflection on the Members of the 93d Congress which adopted the measure, but rather it is more of an indication of the rapidly changing economic times in which we live.

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The problems and opportunities of all segments of agriculture today are without precedent, and how this Congress and farmers around the country react and adjust to meet these challenges will ultimately determine our future.

Mr. Chairman, I commend you for scheduling these very important hearings early in the 94th Congress and your recognition of the urgency to upgrade our basic farm legislation.

United Egg Producers is a national federation of egg marketing cooperatives which represents commercial shell egg producer members in every State of the United States except Alaska and Hawaii. There are five regional egg marketing cooperative members affiliated with United Egg Producers, and their members are all independent egg producers. Our purpose is to work on problems of our producers to improve efficiency in production, distribution, and marketing of shell eggs. Our headquarters offices are located in Atlanta, Ga., and we maintain a Government liaison office in Washington, D.C. Our member cooperative offices are located in Norcross, Ga.; Durham, N.H.; Davenport, Iowa; Tacoma, Wash.; and Sacramento, Calif.

America's shell egg industry is totally dependent upon a healthy feed grain industry in the United States. Unlike some segments of the livestock industry, we cannot turn our chickens out to pasture. We cannot feed more silage in place of corn. There is no other feed grain as equal to corn in a chicken feed formula, and each year we are highly dependent upon soybean meal.

Feed grains such as oats, barley, grain sorghum, et cetera, are a basic necessity to the poultry and egg industries. Therefore, we are greatly concerned when domestic or international events affect the welfare of our Nation's feed grain producers.

During the hearings which have preceded this testimony, you have heard a wide range of recommendations concerning target prices, loan levels, strategic food reserves, and stabilization of prices.

It is the recommendation of United Egg Producers that this Congress adopt target prices geared to a level slightly below the average cost of production of the commodity. The rapid changes witnessed in the cost of production in just the past year should indicate the difficulty of pegging a target price at any fixed figure. As inflation continues to hit hard at the farm production level, any target price adopted now may be obsolete before the amendments can be enacted.

We suggest that such target prices be stipulated in terms of percentage of cost of production for each commodity and that the range at which the target price is set be between 70 and 80 percent of total production cost. While this level will not assure grain farmers of a break-even position should supplies be grossly in excess of demand, neither will it encourage producers to grossly overproduce, since they will know Government will not bail them out.

These levels should remove the likelihood of outright bankruptcy, encourage greater efficiency in production, represent sufficient encouragement for grain farmers to produce sufficient supplies for projected market demand, and lessen the need for Government intervention. We believe the below production cost target levels we recommend will also reduce the need for federally held commodity reserves which might later be used to depress grain prices and encourage overproduction in the livestock and poultry segments of agriculture.

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Soybeans have not, in the past, been included as a feed grai eligible for price supports and target prices. We would encourage th committee to add soybeans to the target price list and permit soybea producers to have the same price protection system that applies t other feed grain producers. The economic importance of soybeans growing each year. Producers have not been faced with the need fo price supports in recent years, but as more and more production added to meet market demands, and as input costs inflate, the nee for producer protection becomes greater.

Egg producers require 20 to 30 percent of soybean meal in fee formulas requiring high protein diets, a basic for laying hens. Soybea meal offers our industry the most nutritionally and economicall available source of high protein today. I might add, our industry definition of economical has changed somewhat since 1971 whe soybean meal prices seldom peaked over $100 per ton. In June 197 soybean meal peaked at $381 per ton.

United Egg Producers has a longstanding policy favoring expor licensing and monitoring of feed grains in critical supply. Such a polic in some quarters has been interpreted as counterproductive, antifre enterprise, and other labels. But as an egg producer, I can tell thi committee that without some form of Government surveillance ove feed grain exports during the past year, the producers of commercia eggs might not have survived.

Likewise, consumer prices for eggs, milk, beef, and other livestoc products would have reached exorbitant proportions. As most of yo know, the fear of a shortage within the feed grain trade sent price skyrocketing. It was only after the current monitoring system wa adopted that a measure of stability was restored to the grain marke United Egg Producers believes the current monitoring system, eve though in need of some adjustments, has served both the egg farme and consumer. Moreover, we feel it brought stability, which resulte in a leveling of consumer prices for farm products, thus aiding in th half of galloping inflation.

We urge this committee to strengthen the powers of the Secretar of Agriculture in this area, but caution against the misuse of th power. We believe export monitoring, licensing, and even contro should be implemented when obviously needed. Some form of con tinuous monitoring needs to be conducted by USDA to assure bot the farmer and the consumer protection against any recurrence o another Russian grain deal. We call it the Russian fiasco.

Attached to this testimony are two graphs which vividy portra what occurred in the market for corn and soybean meal since 1971.* These graphs also reveal why the cost of producing eggs has jumped t new, alltime high levels. After reviewing these graphs, it is not hard t understand the egg industry's concern with events in the grain trade Corn and soybean meal represent the two basic ingredients for chicken feed, which represents nearly 70 percent of the cost of producing dozen eggs.

As the markets for these products vary, so does the cost of producing a pound of chicken, a dozen eggs, a quart of milk, et cetera. The graph also give an observer a quick idea of the rapid adjustments in cos

*See p. 1047.

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which our industry faced. Input costs increased more rapidly than did farm prices for eggs. Even though we experienced last year some of the highest farm prices for eggs in recent history, current estimates indicate that when all the information is in, our industry will have averaged losing 0.9 cents per dozen last year.

This figure represents a total industry loss of some $51 million in 1974. The tables attached to this testimony graphically portray the financial picture of the egg industry beginning with 1970. Of the 5 years including 1974, the egg industry has recorded only 2 years in which a profit was realized.

Probably the most discouraging aspect of this no-profit picture is the fact that since 1970, the egg industry has each year adjusted flock sizes downward. These reductions have decreased the annual output of eggs for the Nation's consumers.

According to USDA statistics, the Nation's laying flock size has declined from 327 million layers on January 1, 1971, to 282 million on January 1, 1975, a decline of 14 percent in 4 years.

The decline in layer numbers was closely associated with the decline in family enterprises and inefficient, underfinanced large operations which failed to adjust to the changing economic conditions. With production and marketing costs rising sharply, as depicted in tables 2 and 3 attached, some of the better financed firms are likely to cease egg production by June 1975. It appears unlikely that consumer demand will continue strong in face of higher egg prices which will be needed to maintain full production in the egg industry.

Several factors have contributed to the economic dilemma of the egg industry. Current economic uncertainty, however, is probably the chief culprit. In 1971 and 1972, many bankruptcies occurred because our industry did not adjust rapidly enough to a very effective Marek's vaccine which caused better layer productivity and livability. Extremely high feed prices, associated with $300 to $350 soybean meal, kept 1973 from being an excellent year. Returns averaged 3 cents per dozen over all costs, an 8-percent return on investment that year. Pressure on the industry in 1973 came from shortages of several key items, phase II of the economic stabilization program, the price freeze, consumer boycotts, strong world demand for feed, and a decline in domestic demand for eggs.

These last two factors continue to confront the egg industry, but in the case of one, declining consumer demand, the egg industry is attempting to bring about a change. Through the help of the 93d Congress, the Egg Research and Consumer Information Act was passed and signed into law by President Ford.

This legislation provides our industry with the tools necessary to collect sufficient funds with which we can develop research, consumer education, and advertising programs. We believe that through a national program of consumer education we can effectively reverse the continuing decline in egg consumption witnessed during the past several years. The egg industry has been somewhat derelict in not having started such a program sooner. We have been unable to obtain sufficient funds with which to conduct large-scale national education and research programs because there was no systematic means of collecting from all egg producers. Anyone associated with agriculture knows we do not enjoy the same luxury as our commercial com-

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petitors who can build in a margin for advertising in their selling price.

Likewise, we feel agriculture does not always receive equal treatment from Federal regulatory agencies. One recent case in point is the rapidity with which the Federal Trade Commission initiated an investigation and litigation against an egg organization charging false and misleading advertising. The organization has sponsored statements in the public media, based on ample research data, which challenged claims that cholesterol in eggs contributed to heart attacks. Meanwhile, the egg industry has witnessed no public action by FTC against a commercial egg substitute which advertised its product as having "the taste and nutrition of farm fresh eggs." Our industry filed a complaint with FTC against this advertising, backed by evidence from a laboratory in Florida and research from the University of Illinois which clearly indicated the substitute product did not measure up to the claims. We also challenged the product's label with the Food and Drug Administration. An official of FDA replied in a letter of July 15, 1974: "Both we and the firm are aware that the product is at present not completely nutritionally equivalent to eggs." To our knowledge, neither FTC nor FDA has taken further action to prevent this commercial firm from "false and misleading advertising." On the other hand, it appears to us that the FTC acted with utmost haste to challenge the statements of an egg industry organization.

One could also consider recent announcements by the Justice Department as being antiagriculture. Press reports indicate the Department has undertaken antitrust investigations against the egg and broiler industries. Yet, these two industries—along with other livestock segments of agriculture—have been the hardest hit, profitwise, in recent years. Certainly, it would seem that if pricefixing had occurred in these industries, the prices would have at least been fixed at levels above production costs. It appears the Justice Department is inclined to look at consumer price problems at the place where the least possible resistance might be met. Obviously, a few food store buyers are in a better position to influence price than are thousands of egg producers scattered across the United States. Reports indicate also that the Department plans to ask Congress to amend the Capper-Volstead Act. Such an amendment would diminish the value of farm cooperatives which continually aid independent farmers through volume buying, in marketing and other services. We look upon the Capper-Volstead Act as a cornerstone in agricultural democracy. Without cooperatives, farmers would be unable to join together for their mutual benefit and be able to compete against the large conglomerates now evident in agriculture.

The egg industry believes it can help meet the world's need for high protein food. Following the discontinuance of the commodity distribution program administered by USDA, our industry has been hard pressed to find additional markets for dried egg mix and fowl meat. In 1973–74, the last fiscal year of USDA's commodity distribution, the Government purchased 9.5 million pounds of scrambled egg mix which represented 547,000 cases of shell eggs. The withdrawal of USDA as a purchaser of dried egg products has left us without a needed supportive effect during low-price periods. Moneys used by

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USDA for these purchases were allocated to provide relief to the needy and to bolster sagging agricultural markets in times of surplus. The needy were transferred to food stamps, but agricultural industries, were for the most part, left to the complexities of the marketplace. USDA still buys some canned boned fowl for school lunch programs but not nearly in the volume USDA utilized in the commodity distribution program.

We believe dried egg mix would be an excellent relief commodity for the hungry around the world. It can be packaged in small or large units from small aluminum foil pouches to large metal drums. All a person would need to prepare eggs from this mix would be water, fire, and some type of utensil for cooking. Canned boned fowl represents low-priced, high protein meat which can be preserved in most any standard can size. We have recently investigated through USDA the possibility of eggs, egg products, fowl and products of fowl being included in the Public Law 480 programs. We have been advised that resources may not be sufficient to meet present programs.

In conclusion, let me point out that egg producers are already past the crossroads where the decision on future production plans had to be made. We are reducing our flocks. But, it is not too late for our Government to take steps to bring about fewer egg industry bankruptcies. Government actions to open foreign markets through reciprocal trade agreements, to assure adequate supplies of feed grains for U.S. livestock, to utilize eggs and fowl in feeding the world's hungry, both at home and abroad, and to encourage all-out feed grain production would be moves which would remove some of the uncertainties now confronting our industry. This would encourage egg producers to continue adequate, efficient production necessary to supply our nutritious products to consumers at reasonable prices.

Thank you, Mr. Chairman. Mr. Pedersen and I will be happy to answer any questions you or the members might have.

Senator HUDDLESTON. It is a very fine presentation, Mr. Hirth.

Do you have any questions Senator Dole?

Senator DOLE. I have no questions. I think most of the testimony is consistent with other testimony we have had insofar as target prices.

Mr. HIRTH. Yes, Senator. What we try to make as clear as possible is how relevant and how connected we are to the grain industry. In other words, when they are in trouble, we are in trouble; when those prices went skyrocketing, we outpriced ourselves.

On the other hand, we want to make it very clear we sympathize with the grain farmer and want to see their interests protected as much as possible. Without them we have no way of being.

Senator HUDDLESTON. Do you have a position on the grain reserve?

Mr. HIRTH. I mentioned in my statement, Senator, we said that possibly if we go into a target price based on a cost of production a, grain reserve may not be needed. I do not see in today's economy how we can pick a price today and see what it is worth tomorrow. A range of 70 or 80 percent of the cost of production which will insure in our mind two things; (1) it will insure the grain farmer that he not go bankrupt—he will not go boom or bust; and (2) it will leave it to the free market.

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Senator HUDDLESTON. It seems to me what we are saying is that inadequate programs are causing a continuing decline in capacity. More people go out of the egg business, sheep business or whatever. We are creating shortages down the road, and nothing causes an increase in price like shortages.

I think there is justification for looking at the overall picture.

Senator Dole.

Senator DOLE. For the record I think you should identify your cohort.

STATEMENT OF JOHN PEDERSON, DIRECTOR OF STATISTICAL ANALYSIS, UNITED EGG PRODUCERS, ATLANTA, GA.

Mr. PEDERSON. I am John Pederson, director of statistical analysis for the United Egg Producers.

Senator HUDDLESTON. Senator Bellmon.

Senator BELLMON. You pointed out the fact that the number of layers has gone down 14 percent in the past 4 years. Has production per layer gone up?

Mr. HIRTH. Somewhat, sir. The drug industry came out with a new vaccine that permitted, prevented a lot of mortality in some of our flock, so that did increase our production somewhat.

Senator BELLMON. This does not mean we are getting 14 percent fewer eggs.

Mr. HIRTH. We will get very close to it, but not 14 percent. Correct, sir.

Senator BELLMON. We are getting fewer eggs?

Mr. HIRTH. Yes, sir. About 7 to 8 percent less.

Senator BELLMON. The problem in the industry is consumption of eggs is down.

Mr. HIRTH. Yes.

I would like to say one thing for the record, and this is, I am talking as a farmer. You know, agriculture always takes the blame. We are talking about consumption. We are talking about higher prices. We were getting for our product less than the cost of production. I am just talking about last year when the consumer and the housewife, including my own wife and maybe somebody else's, was ready to tear the farmer down—finding them guilty for all the sins that somebody else committed. Our people were actually losing money, and certainly somehow we have to make people understand that it is not the farmer who is making it, not the farmer who does all those things that we hang for everybody else in the country.

Senator BELLMON. I remember vividly carrying eggs into the back door of the store and getting a quarter for them, and then going out front and they are selling them for 50¢ a dozen.

How much is the margin?

Mr. HIRTH. I would not say 50 percent, but it is quite a margin. We have our problems. Believe me, it is not the farmer. We can substantiate that any day.

Mr. PEDERSEN. 25 to 30 cents a dozen is the margin, in the back door, out the front. In some areas, like near say, Los Angeles, maybe it might be 12 or 15 cents.

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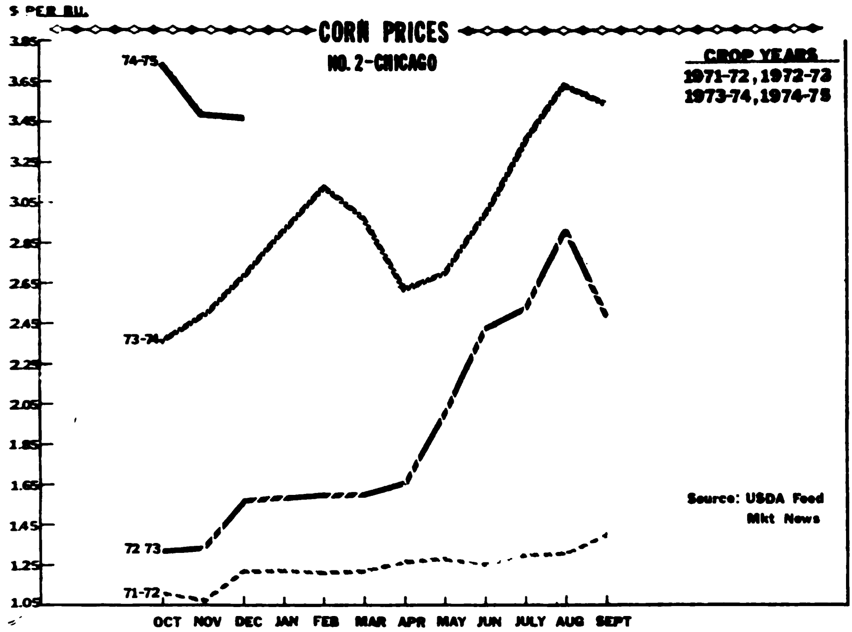
Mr. HIRTH. When we are talking in cents, this would be about 35 to 40 to 50 percent. Is that correct?

Mr. PEDERSEN. Depending on the price of eggs.

Senator HUDDLESTON. Thank you very much.

[The following material was referred to on p. 1042.]



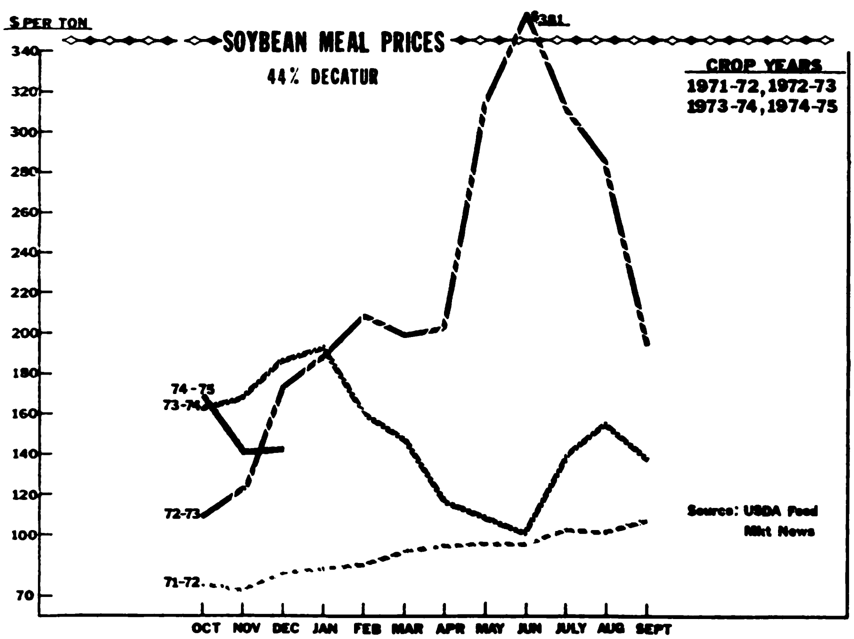


TABLE 1.—QUARTERLY INDUSTRY AVERAGE PROFIT OR LOSS FOR PRODUCING AND MARKETING A DOZEN EGGS—1970–75[1]

[In cents per dozen]

Year	January to March	April to June	July to September	October to December	Annual average
1970	+16.1	−3.8	+4.2	−0.7	+3.9
1971	−4.5	−7.5	−5.3	−4.8	−5.5
1972	−7.4	−10.2	−5.2	−1.2	−6.0
1973	−.7	−4.5	+7.3	+10.9	+3.2
1974	+9.8	−8.0	−5.3	0	−.9
1975 (estimate)	−1.5	−12.6	−4.7	+1–+9.5	−4.4–−2.3

[1] Price spreads are based on New York USDA market news large wholesale price less production costs.

TABLE 2.—TOTAL QUARTERLY PRODUCTION COSTS FOR AN AVERAGE U.S. EGG PRODUCER—1970–75

[In cents per dozen]

Year	January to March	April to June	July to September	October to December
1970	27.2	27.8	27.9	8.3
1971	28.6	28.5	27.6	26.6
1972	26.8	27.5	28.7	31.0
1973	37.8	43.4	49.5	42.9
1974	43.7	39.7	47.4	50.0
1975	47.0	46.5	49.0	41.3–49.8

TABLE 3.—QUARTERLY MARKETING COSTS FOR AN AVERAGE U.S. EGG OPERATION—1970–75

[In cents per dozen]

Year	January to March	April to June	July to September	October to December
1970	11.0	11.0	11.0	11.3
1971	12.0	12.0	12.0	12.2
1972	12.5	12.5	12.8	13.0
1973	13.0	13.0	13.0	13.5
1974	14.0	14.1	14.5	14.9
1975 (estimate)	15.5	15.5	15.7	15.5

Senator HUDDLESTON. Mr. Harold Ford was to appear. He is not here.

He is executive director, Southeastern Poultry Federation. We have a statement from him that will be placed in the record.

[The statement of Mr. Ford follows:]

STATEMENT OF HAROLD E. FORD, EXECUTIVE DIRECTOR, SOUTHEASTERN POULTRY & EGG ASSOCIATION, DECATUR, GA.

Mr. Chairman and committee members, your committee is to be commended for recognizing the rapidly changing needs of agriculture and for involving the committee so quickly in reviewing the Agriculture and Consumer Act of 1973.

I am Harold E. Ford, executive director for the Southeastern Poultry & Egg Association, a nonprofit trade organization, whose membership is engaged in the producing, processing, and marketing of 85% of the nation's frying chickens, 41% of the commercial eggs, and 27% of the nation's turkeys.

This statement is also endorsed by the following State associations: Alabama Poultry & Egg Association, Georgia Poultry Federation, North Carolina Poultry Federation, Texas Poultry Federation, and Virginia Poultry Federation.

Today we hear a lot about the economy being in a "depression," some say it is only a "temporary recession," and there are some who report it as being "just a pause in the economy." Regardless of the label given to this Nation's economic

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conditions, there are poultrymen who are experiencing bankruptcy. In 1974, the average losses for poultry companies exceeded 30% of their capital, and their loans increased by 96 percent.

Heading the list of hardships facing the poultry industry is the wildly gyrating feed grain prices as experienced in 1974. The ability of a poultry company to make a return on its investment is no longer dependent upon its management techniques, its people, their ability to lower cost through improved efficiency, and all the other accepted measuring sticks. Today, it is the producer's position in the grain market that determines his profit and loss.

In 1974, the greatest single factor in determining the "profit and loss" of a poultryman was our federal government's decisions on grain exports. That is an outside factor totally uncontrollable and unpredictable. It places a poultry producer in a precarious position. Poultrymen have never been more uncertain about what to do for 1975. Will there be sufficient grain supply? What are the cost estimates?

Poultry is a net consumer of feedstuffs and fuel. Both have been wildly fluctuating in supply and cost. Under such conditions the orderly production planning is disrupted, productivity is harmed and results in a reduced production of finished foods. The poultry industry is currently experiencing a reduction in its productivity and it comes at a time when there is a need for more product to combat inflation and to feed the world.

Historically, the poultry industry has supported the development of foreign trade. It continues to stand on that philosophy. However, the industry does express great alarm over the adverse effects that grain sales to other nations are having on the domestic producers and the consuming public. We ask that the following suggestions be considered:

Continue to monitor the export sales of grain and establish an export licensing program for the purpose of providing an orderly movement of grain to avoid disruption of supply and gyrating prices.

Discontinue the lower freight rates allowed for grain moving for export. This is a form of subsidy to the foreign buyer and discriminates against the domestic user of feed grains.

Review policies on credit terms to foreign buyers of grain that are not available to the domestic users of grain.

Require the foreign buyer to compete on at least equal terms with domestic buyers for the feed grains.

Establish a program to promote an orderly marketing of agricultural feedstuffs which are the basic cost components of all meat production including poultry products.

Government should put forth the same vigorous efforts in removing trade barriers against U.S. agriculture products as demonstrated in removing trade barriers on grains to other nations. The poultry industry will apply its efforts to develop a demand for its products and take the market risk. We must have our government's leadership in getting barriers removed so that free trading can exist.

As your Committee reviews legislative needs for agriculture, we recommend that you once again seek congressional approval for an Animal Health Research Act. One of the most helpful governmental programs to aid our industry in achieving its highly productive status has been the financing of basic and applied research. For example, the development of a vaccine for Marek's disease is an important case in point. That basic research resulted inasmuch as a 10% increase in productivity.

Research is also needed in the areas of energy conservation and animal feed nutrition. Our industry is greatly disturbed over the apparent loss of funds which had been appropriated for researching solar energy for livestock shelters. We have been advised that the Energy Research Development Agency has elected to withdraw funds for such research for poultry, in favor of research for greenhouses. The poultry industry is a major consumer of energy and is in need for a more economic source of energy. Solar energy has a great potential and we seek the Agriculture Committee's help in getting research efforts applied for the industry.

In the area of domestic marketing, it is known to each of you that the poultry industry has demonstrated abilities to provide highly nutritious food products at economical price levels. The industry has a desire and the expertise to expand more into world markets. We believe that foreign trade should be pursued for all agriculture products and not just for the favored few. The poultry industry will

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meet the challenge if not restrained by government actions and/or in-action. Because of our government trade policies the poultry industry has experienced a decline in exports and in 1974 sold less products than in 1961. The Trade Reform Act passed by Congress last year provides encouragement to our industry and we express our appreciation to those of you who supported its passage.

The agricultural sector, and especially the poultry industry, needs the attention of the Senate Agriculture Committee on some of the "run-away" government agency regulations which are adding to the financial stress. Regulations which are made in the name of "better environment," "safety," and "wholesomeness" sound pleasing and desirable. However, many have been blundering and ill conceived. Regulations have been placed on the industry in a relatively short time and often with contradictory regulations between various government agencies. We urge your Committee to seek an inter-agency program whereby proposed regulations would be reviewed to determine the benefits gained in comparison to the actual needs and cost to consumers and to determine the conflicts with regulations by other government agencies.

The poultry industry traditionally has resisted any form of government controls over production and prices. We want to renew that opposition at this time and respectfully urge your Committee to oppose wage/price controls except in times of absolute national emergency. Any action, public or private, which has the effect of reducing productivity should be restricted and prevented.

On behalf of over 14,000 people who derive their economic livelihood from the poultry industry, we express our appreciation to your Committee members for their efforts in the poultryman's behalf. Thank you.

Senator HUDDLESTON. Mr. John Dunn. We welcome you to the committee. Please identify yourself, and your association for the record.

STATEMENT OF JOHN DUNN, PRESIDENT, OKLAHOMA CATTLEMEN'S ASSOCIATION, WOODWARD, OKLA.

Mr. DUNN. My name is John Dunn. I live in Woodward, Okla. I am a cattle rancher and feeder. I presently serve as president of the Oklahoma Cattlemen's Association and as chairman of the board of the Woodward Production Credit Association, a cooperative institution loaning money primarily to cattlemen and wheat farmers.

On behalf of the people I represent, please accept my gracious appreciation for the opportunity to be heard by this respected committee. For the interests of brevity, I will summarize. You have been here all day. It gets back to a problem that has arisen within our industry. This is the prompt payment on the part of the packers. I will talk off the cuff because I do not have to read this. I know what I am talking about.

About 70 percent of the grain-fed cattle are sold for private treaty. In the last 90 days, some were—at least 70 percent of the cattle have not even gone over a market. They have been sold on the yellow sheet. It is a sheet put out in Chicago. You have heard about it. If you have not, you will hear more.

We do not know it is manipulated, but there is an opportunity. It can be. They are sold on a grade-and-yield basis. I myself—I had some cattle at Masters feedlot in Garden City. They killed 370 of them 8 days ago. I have not got any money yet because this beef, the packer kills it; it is sent out on open account; they are billed on 7 to 14 days' notice by the chain stores and meat brokers, and by the time that I get my money, those cattle will be cut up, sold in retail, and the meat eaten before I know whether that check is good or not.

When I come in and sell, like in this instance, it is going to be around $150,000 worth of cattle. By the time that I get this money,

not have any recourse if one or more of these outfits went ›t. We in the agricultural industry, for instance in grain—you ıeat farmer, Senator Bellmon is.

or BELLMON. I think you have insulted the Senator from He is a lawyer.

)UNN. Anybody from Kansas has to be a wheat farmer.

or DOLE. We take care of the wheat farmers.

'UNN. We are used to that. If you think our banking industry—ı I happen to be chairman of the board—we have $34 million out to wheat farmers, cattle feeders, and ranchers in the ' where I live. It is a cooperative lending agency. If you think : not worried, take a check at any packer, the best one you ık of, the most blue-chip you can think of. You take it in e will give you a deposit slip. He will not apply it on your loan clears.

ɔr HUDDLESTON. How does this vary from what has been done :cent past?

)UNN. Because this American Beef has gone bankrupt for ?5 million. Prior to that, there was one in California, 2 years $4½ million. Never one as big as this.

ɔr HUDDLESTON. The packers are not able to give you a check?

'UNN. Nineteen percent of them. There was a USDA study 2 o. They went in to see the packers. It revealed that 19 per-hem was working in virtual insolvency, on the float. You have ; there is some danger in this.

ərstand Senator Curtis is going to sponsor some legislation in l. I understand we started out—we were going to go on the ıding, that this was going to require a brandnew bureau.

und the Packers and Stockyards Administration a little bit They do not have a will or authority under the act to give us ›n. They say we are to be paid the same day we sell the cattle. the bonded market. The problem is that a very small percent cattle are sold on bonded markets. They did not have the r the will or the authority to enforce this, and we did not want : another bureau, contrary to some of the people.

: sat here all day and heard, we do not want any bureaus. is, we would just as soon the Government has as little to do business as they can, until they can prove by the Harris and ›olls, that they can run the post office to the satisfaction of the of the U.S. citizens. That would be the time we consider hem get into our business.

s our feeling. I would like to make one point. These banks and le who are loaning to ranchers—I will read this to you—have ıad the risk of drought, flood, pestilence, disease, dishonesty, ırds that have been with them to loan the money to any When you have the risk of this bank rupture when you lose e entirely.

.egative factor will outweigh any positive good you are going 'om emergency livestock loans, and we have been trying to : of those.

›r HUDDLESTON. Have they been effective at all?

UNN. Not in our area. Our president tried. We had one of the ıd it took us a long time. It is not very effective. We think the

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loan limit should be raised. It probably should be extended, probably the percent of loss and guaranteed to the loan. It should be raised.

I understand Senator Bellmon has a bill, and we would certainly favor that.

I would be glad to answer any questions. I would like to mention one more thing that is not in my statement. That is, on the idea of the environmentalists. We think closing these fertilizer factories up when there is only one person in a township, up in western Kansas because they are polluting the atmosphere——

Senator DOLE. Nobody has died out there because of pollution.

Mr. DUNN. We think that probably we are just around the corner from getting environmentalists on our side. Cattle feeders are, because we are going to get like the whooping crane and the black-footed ferret, and the bald eagle. We are going to become endangered species.

Senator DOLE. And the Republicans.

Senator HUDDLESTON. Thank you, sir. We appreciate your testimony.

Senator BELLMON [presiding]. You mentioned you are the chairman of the board of the Woodward Production Credit Association. Can you tell us what the financial position of the customers of the Woodward PCA is generally now?

Mr. DUNN. Senator, we have, I think—we are going to have about $80,000–$90,000 in losses, which we do not think is bad, of a loan value of over $30 million. We have a reserve against others. The vast majority of them are in good shape.

In our area of northwest Oklahoma, we are almost equally divided between feedlot, wheat, and range cattle, in our amount of money that we lend, and the wheat farmer has been in good shape. He has had 2 good years, and I do not think that you can categorize from one association to another, because the management of these things depends on people.

We are very proud that we have stayed on top of things, and that we have not got ourselves in any worse problems than what we have.

Senator BELLMON. You do have quite a bit of oil in that part of the country.

Mr. DUNN. That is very important. I would say in our loan territory and into the one to the south of us in Clinton—which would be northwestern Oklahoma—that the average acre of land in lease bonuses for oil rental and the delayed rentals there have run at least $60 an acre average over the whole country over the last 20 years, whether there has been oil production or not.

There are many a rancher who would not be there if it were not for that. I might add that we stand for deregulation of natural gas, and truthfully we think that if they would give those oilmen all the credit that we had and no restrictions and let them start digging holes in the ground, they will break the price, no matter what the tariff is, just like the wheat and cattle people do.

Senator BELLMON. You do not think they are smarter than the wheatgrowers?

Mr. DUNN. No smarter. Give them credit and turn them loose. Now, they are drilling for what they used to eat. The economic situation, oil is high enough in price, natural gas is. They are going for what they used to throw away.

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Senator BELLMON. I have not read your statement, John. I appreciate what you have said here. Do you have in here a recommended solution to this problem?

Mr. DUNN. Our recommendation was legislation on the national level, just to make it against the law. Whatever the court decided was proper punishment, a fine or a misdemeanor, for not prompt payment, but to give you a check the same day that they receive your cattle, or at least wire payment within the close of the second day's banking.

Senator Curtis has examined the bond part of it, I understand. This was examined at the American National convention a couple weeks ago. That was something that would require an army to superintend. We thought that just a simple law administered by the Justice Department and handled like using the mail to defraud or embezzlement or bribery would be a better approach.

Senator BELLMON. A requirement that the checks be in the mail by the end of the second day?

Mr. DUNN. Wire payment or a check the same day that the cattle changes hands. You can wire a check. You have to admit it gets kind of dangerous.

Senator BELLMON. The way it is now?

Mr. DUNN. Yes, sir.

Senator BELLMON. It would be less dangerous if the check were mailed the same day?

Mr. DUNN. Put in the mail the same day.

Senator BELLMON. Also, it would be some saving and interest to the cattlegrower.

Mr. DUNN. Yes, some. This interest thing—everybody has had a free ride because actually there have been very few of the packers, the chainstores, or the brokers—their float handles it from the time they get it. They do not keep it very long. Each one passes it on.

I might add when you go to the chainstore, you do not get past the cash register. You pay when you come out of there. They run their business better than we do.

Senator BELLMON. If we pass a law along the lines you are recommending, do you recommend that the wholesaler pay the packer the same day? I think if the packer had to pay, that he would make those people pay.

Mr. DUNN. I would also add that the slowest pay is always the U.S. Government. It takes about 35 days to get your money. They just Mickey Mouse records around, pass it from one department to another and fill our warrants. That is what reliable meat dealers have told me.

Senator BELLMON. You might put the Government in jail.

Mr. DUNN. It would take a big one.

Senator BELLMON. I have no further questions. We appreciate your testimony.

Mr. DUNN. Thank you, gentlemen, for the opportunity.

[The prepared statement of Mr. Dunn follows:]

STATEMENT OF JOHN DUNN, PRESIDENT, OKLAHOMA CATTLEMEN'S ASSOCIATION, WOODWARD, OKLA.

Mr. Chairman, my name is John Dunn; I live in Woodward, Okla.; I am a cattle rancher and feeder. I presently serve as president of the Oklahoma Cattle-

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men's Association and as chairman of the board of the Woodward Production Credit Association, a cooperative institution loaning money primarily to cattlemen and wheat farmers.

On behalf of the people I represent, please accept my gracious appreciation for the opportunity to be heard by this respected committee.

I will omit any protest for the disastrous impact of meat imports on our crippled industry because I know you have been well briefed by other spokesmen for the livestock business.

I would address my principal remarks toward the problem of deferred payment by packers, meat brokers and retail chains for live cattle and dressed beef.

We have a law on the books that says cattle are to be paid for the same day that a change in possession takes place. This is adhered to only at bonded public markets. The Packers and Stockyards Division of the USDA is supposed to enforce this law in all transactions but they either have not the people, the full authority, or the will to do so.

The P & S widely ignores enforcement except at the bonded public markets, as I have previously stated.

The majority of cattle are sold at private treaty out of feedlots to packers or slaughter interests. If they are on hoof, the seller may not get a check for several days. If the animals are sold on a carcass yield basis it will be three to four days before a check is mailed to the producer.

In either instance by the time the producer banks his check (The banker now holds it as a collection item) and the check goes through one or more reserve banks and gets back, twelve to eighteen days will have gone by.

The check may come back marked "insufficient funds" or the packers may have gone into one of several types of legal insolvency. In either case the cattle have been killed, the dressed carcass broken down into primal cuts, and the meat sold at retail before the producer knows for sure whether his check is "good" or not.

If the check is "bad" or the packer has become insolvent, there is no way the producer can recover his cattle, because when they are killed and cut up they lose their identity and become a part of a defunct company's accounts receivable.

The "float" while the checks are in transit has long enabled the packer to avoid the interest on owning much meat in inventory. The broker who buys the meat may pay on seven to fourteen days billing. He in turn may break and sell carcasses to retail outlets on a similar lengthened billing period. From the time the steers left the farm until they are sold at retail, the farmer has had to stand the interest on the money. He has been accustomed to this injustice for many years.

Now a new dimension has become common enough to alarm all segments of the industry. I refer to insolvency of any segment of the distribution chain.

A recent USDA study revealed that nineteen percent (19%) of the packers were virtually operating in insolvency.

The banks and other lenders who finance the rancher and feeder have always had the risk of drought, flood, pestilence, disease, and dishonesty as hazards to contend with. The risk of insolvency at any point in the marketing chain may cause the producer to lose his cattle entirely. This risk must be removed or the negative factors in the mind of the lender will far outweigh any positive good the Congress can effect through emergency livestock loans.

Nebraska, Kansas, and Oklahoma, to name three, are working on prompt payment legislation at the state level; but to be very effective a national law is needed.

It is our belief that to eliminate the risk the packer should tender a check when the cattle are weighed or put it in the mail to the producer the same day. An alternative to this could be wire payment from the packer's bank to the producer's bank not later than the close of the second banking day after the cattle change hands.

In the case of a carcass yield transaction, the payment interval would be from the time the grading of the beef occurs.

It is not our intent to penalize the marketing end of the cattle business, but for the packer to pay the producer promptly would in most instances require the broker to pay promptly and the retailer would have to pay the broker on the same interval.

This will cause some interest expense to the marketing chain, that is being borne at this time by the producer. We feel this is the best approach we can take to reduce the risk of losing all our cattle on a bad deal.

The earnings of A & P Stores, one of the nation's largest retail chains rose 772% from 1973 to 1974. In the same interval Super Value Stores' earnings only

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went up 100%. This is in contrast to cattlemen's losses in the same period in excess of three billion dollars.

We feel it is time they paid up their share of feeding the American consumer.

If we cattlemen from Oklahoma could have our way, the enforcement of national legislation with teeth in it should be placed in the hands of the Justice Department along with embezzlement, fraud, bribery, or any other crime.

We specifically would bypass any further use of the P & S people. They are too burdened with bureaucracy and too slow to be of much use in this case.

We look to you and the U.S. Senate for leadership in this legislation and will assist in any way that we can.

Thank you kindly for hearing our expression of need and concern.

Senator BELLMON. The committee will stand adjourned until 10 a.m. tomorrow morning.

[Whereupon, at 3:40 p.m., the committee was adjourned, to reconvene at 10 a.m., Thursday, February 20, 1975.]

[The following statements were subsequently received for the record:]

SOUTHWESTERN PEANUT SHELLERS ASSOCIATION,
Dallas, Tex., March 2, 1975.

Hon. HERMAN E. TALMADGE,
U.S. Senate,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR TALMADGE: At the hearing on Wednesday, February 19, there was considerable criticism of the present policy of the Department of Agriculture of refusing to sell surplus peanuts for diversion for domestic crushing or export at less than 100% of support. As I recall, no one at the Hearing supported this policy and witnesses consistently pointed out the harmful results of the policy. I will not here repeat the criticism of the policy, since the record of the February 19 Hearings covers them adequately.

At the Hearing, witnesses were asked to submit recommendations for changes in this policy. The Southwestern Peanut Shellers Association is happy to submit a recommendation that we believe will accomplish the following purposes:

1. Make it possible for the Department of Agriculture to adhere to its present announced policy through July 31, 1975.
2. Make it possible for the Department of Agriculture to divert approximately 50% of their present holdings under the stated policy.
3. Remove the surplus before the beginning of the new marketing year beginning on August 1, 1975.
4. Serve the humanitarian objective of providing much-needed food to starving peoples in various parts of the world.

The Southwestern Peanut Shellers Association recommends that the Department, at once, announce that it will immediately make available to the starving peoples in various parts of the world 200,000 tons of peanuts. These peanuts would be shelled, shredded, and shipped to areas of need in countries that are not producers of peanuts. Furthermore, at the same time, the Department would announce that beginning April 1, 1975, it will set aside an additional 25,000 tons of peanuts each week for the above humanitarian purposes until the Department is able to sell surplus peanuts for domestic crushing or export at its announced minimum price.

We believe that the above proposed program will result in international buyers purchasing approximately 200,000 tons at the Department's minimum announced price.

At the present time, there is considerable disbelief in export circles that the Department will be foolhardy enough to adhere to its present policy through July of 1975. This uncertainty continues to depress the market. This uncertainty will be removed completely by the adoption of the above recommendation.

Furthermore, by adhering to its present policy without adopting some program as recommended above, the Department will continue to hold approximately 400,000 tons of peanuts that are perishable and that ultimately will result in staggering losses to the government.

The Southwestern Peanut Shellers Association strongly recommends that your Committee urge the above recommendation on the Department.

Sincerely yours,

SYDNEY C. REAGAN,
General Counsel.

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STATEMENT OF GLENN GIBSON, EXECUTIVE SECRETARY, THE AMERICAN HONEY PRODUCERS ASSOCIATION, MINCO, OKLA.

This statement is filed on behalf of the American Honey Producers Association and its member firms. We want to ask the Committee to seriously consider a program for honey in any new farm legislation.

Our recent convention in San Antonio, Texas, favored on-the-farm storage loans at 90% of parity.

Authorization for mandatory support program for honey at the rate of 60 to 90% was a part of the 1949 Farm Bill. The program has worked quite well. It was not difficult to administrate and the beekeepers made use of the program when the need arose. The Department of Agriculture authorized an on the farm loan-storage, which gave the beekeeper an opportunity to borrow needed capital until he could market his crop in an orderly manner.

The program was best described as a shot in the arm for the beekeeper during the past 25 years and it has cost the government very little money.

In November 1974 the Department of Agriculture terminated the loan program. Their reasoning was that very few beekeepers were using the program. Regulations to provide for receiving honey under the support program without the loan feature will appear in the Federal Register in a few days.

We agree with the Department about fewer beekeepers using the program. The current good demand for honey at high prices simply means that some beekeepers do not need financial assistance as in the past, but this certainly doesn't mean that a seller's market will continue or that our newcomers will not continue to need financial assistance. Discontinuance of the loan program will encourage "panic" selling, which generally cost the producer dearly.

We would like the Committee on Agriculture to consider an amendment to a new farm bill that would provide for loans on the farm and a high percentage of parity.

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

THURSDAY, FEBRUARY 20, 1975

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324; Russell Senate Office Building, Hon. Herman E. Talmadge, chairman of the committee, presiding.

Present: Senators Talmadge, McGovern, Humphrey, Huddleston, Clark, Stone, Leahy, Dole, Young, and Helms.

STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM THE STATE OF GEORGIA—Resumed

The CHAIRMAN. The meeting will please come to order.

We are honored, indeed, to have with us the Secretary of Agriculture.

If there are no objections, I think we should permit him to take as much time as he sees fit for his testimony and then restrict Senators in their interrogation to 10 minutes for the first round and if they want more rounds than one, 10 minutes on the second round, 10 minutes on the third round, if they so desire.

Please don't interrupt the Secretary during his statement. You'll get an opportunity after he completes his statement.

Any objection to that procedure?

Mr. Secretary, in view of falling prices for most agricultural commodities and rapidly rising cost of production, we have asked you to meet with us in this critical situation and discuss ways and means of alleviating some of the apprehension and gloom that hangs over our Nation's farmers. You will recall that the Senate in 1973 approved the bill providing target prices for wheat, $2.28 per bushel, corn, $1.53, and cotton 43 cents a pound.

We also provided the cost of production escalation would have been effective with 1975 crop.

Had the Senate proposal been enacted into law, the target prices for 1975 would be $2.64 for wheat, $1.77 for corn, 49.6 cents a pound for cotton instead of $2.05, $1.38, and 38 cents facing our wheat, corn, and cotton producers.

We have heard almost 2 weeks of testimony. The overwhelming weight of the testimony is that farmers are hurting and hurting badly.

They want assurance that the bottom will not fall out and devastating bankruptcy result.

We've heard that existing target prices and loan levels are totally unrealistic.

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What are we to do?

We need your help and guidance.

We hope that your response will lead to an accommodation rather than confrontation.

We hope that we can work with you to prevent a depression in rural America.

We do not want to wait until rural America collapses before we take corrective action.

Mr. Secretary, you may proceed in any manner you see fit.

STATEMENT OF HON. EARL L. BUTZ, SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Secretary BUTZ. Well, thank you, very much, Mr. Chairman, gentlemen of the committee. I have a prepared statement that runs 18 typewritten pages. I think, with your permission, Mr. Chairman, I would like to simply have that inserted in the record.

The CHAIRMAN. Without an objection it will be inserted in the record in full and you may proceed as you see fit.

Secretary BUTZ. Well, thank you very much and then if I can have about 10 or 15 minutes of general discussion, I would like that.

The CHAIRMAN. You can take all the time you like.

Secretary BUTZ. And, then, I think we can best address ourselves to these problems if we open it up for discussion. As I sit here I recall the occasion 3 years and 3 months ago practically that I sat in this room as the nominee for the position I now hold.

At that time there was a great deal of interest in the attitude of the new Secretary and a great deal of division in the Senate on his qualifications for the post. A great deal of division in this committee on his qualifications for the post. I guess that hasn't changed. As I came in this morning, I was handed a copy of a news release by Senator McGovern calling for my resignation. I guess the situation hasn't changed in 3 years, George. [Laughter.]

At least you are consistent, You voted against my confirmation 3 years ago. The times were tough 3 years ago. Agriculture was burdened with tremendous surpluses. We had large Government payments going out to our farmers—farm income was low, the programs we had had hadn't worked too well. Our exports were nowhere near their present level. And times were tough. Farmers were apprehensive. This committee was apprehensive about the condition of agriculture.

We've come through some very rapidly changing years in the intervening 3 years. And we are again at a critical time as you've just said. Costs are rising. Some prices are falling. Some have fallen. The indexes of prices received by farmers on January 15—the most recent index we had—was down 12 percent from 1 year earlier. The index of prices paid by farmers on January 15 was up 14 percent from 1 year earlier. I don't know of any major sector of the American economy that has taken a 12-percent decline in prices received in the last year as we talk about the inflationary impacts on our society. I think our farmers are making a tremendous contribution and sometimes sacrificial contribution to this matter of controlling stopping the rising prices. Costs are up. One of the dangers here is that farmers always sell on a fluctuating market. Cattle prices are low now. A year ago

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they were as much too high as they are too low now. Grain prices rose and they've come down. I don't see anybody rushing forward to knock $3,000 off the price of a 120-horsepower tractor. I don't see anybody rushing forward to knock $3,000 or $4,000 off the price of a combine or a cottonpicker. When costs farmers pay go up they tend to stay up in one of the unfortunate situations we are in. And I want to tell you that we share the apprehension you've just indicated here about agriculture and the position of our farmers. We have taken a position—I think a strong position—and I have personally in the 3 years I've been Secretary—that the best way to assure a full flow of food and fiber in our country from our farmers is to put some profit in agriculture. And I've been criticized, Mr. Chairman, as you have yourself, for making statements that our farmers deserve to make profit and it's in the national interest that we keep our agriculture and our farmers in a profitable stance. The other day in a news conference somewhere some lady reporter—she must have been the food editor for one of the metropolitan papers—with a kind of sneer in her voice and said, well aren't farmers making money?

And I said, I hope so. I think that's what they're in business for. And you as an urban consumer should hope so too if you want to continue to be well fed down the road.

But we do meet now at a critical time. As you've said—and I want to outline philosophically some of the questions that I think we have to face headon as we address ourselves to these problems that you've outlined. This is a time when there has been some erosion of public confidence in the American system of free enterprise and competitive markets. Not alone in agriculture. We find clamors other places, too, for Government interference in the market system and the market process.

I think we face a test in agriculture of whether the collective daily economic judgments of millions of our people under a relatively free price system is superior to a system of Government control with a good deal of direction out of Washington on our farm programs as we've had for 40 years—the past four decades except for short periods of wartime interference with this situation. We moved in these last 2 or 3 years, substantially, toward a great amount of economic decision making on the part of our individual farmers. And that's under test right now when we've got to examine it.

I think we've got to face the basic question of whether continued high farm production in this country as contrasted with quotas and allotments and cutbacks and restrictions—the kinds of programs we followed for four decades or more in this country can best serve the world with economic aid with food aid—can best serve the United States with a positive balance of trade.

I want to point out a bit later that agriculture has now become our No. 1 source of foreign exchange and it's a powerful factor in maintaining the economic health of this country. Whether or not we want to continue a program of plenty in agriculture that helps with our diplomatic muscle around the world—as the United States is now the world's peace broker, and we are learning, perhaps belatedly and perhaps awkwardly in some cases, how to use food as a positive factor in diplomacy and I think that has to be a consideration as we approach this total question of our agricultural policy. And, of course,

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you know we can't ignore the question of food cost to the consumer which is on the front burner and has been on the front burner. And I think for the record we ought to say that—in spite of the fact that food costs have risen markedly in the last couple of years in this country. They rose some 14 percent at retail last year, the average of 1974 over 1973. And I want to hasten to point out, Mr. Chairman, that 80 percent of that rise was after food left the farm. Only 20 percent of that income was related to the increase in prices received by farmers. But even considering those increases the last 2 years, the American people as a group, still pay a smaller share of their take-home pay for food than ever before with the exception of last year. This rose a bit last year but it's on the decline again. And we pay a smaller percentage of take-home pay than any other nation on the face of the earth by a substantial margin. And I think we need to take our hats off to the American farmer and to the whole food and fiber complex in America for this tremendous record of achievement for America.

Well, what's our current situation on farm programs and farm policies?

Only 2 years ago we passed the Agricultural and Consumer Protection Act of 1973 and as you pointed out, Mr. Chairman, there was a considerable difference of opinion on the proper level of target prices.

This committee in the Senate reported out a higher level than the House did and the final bill was a compromise. I think personally the use of the term "target price" in this legislation is an unfortunate choice of terms. I don't think of the so-called target price as defined in legislation as a target price at all. My concept of a target price is a price in the market place high enough to assure some degree of profit to the producers. I think that has to be our target price. And I hope we never get to the place that the target price defined by law and undergirded by the taxpayers of the United States becomes the incentive price or becomes the ultimate price that our farmers get. If we do that then I think we will have lost a great many of the gains we've made in recent years, under existing legislation, that freeze our farmers crops and permit certain adjustments that I want to point out. The Act of 1973 had 4 years to run. We have had only 1 year of operation under that act—the 1974 crop year. I know at the time the act was passed we didn't anticipate the current situation and we didn't anticipate the rapid inflation we're having. We didn't anticipate the budgetary situation we face. We didn't anticipate the escalation of costs farmers are experiencing. But let me detail just two or three things that I think have been on the plus side of this act of 1973.

In the first place it's given our farmers freedom to shift their production and to make shifts in response to the marketplace to areas where they can produce most efficiently. Under this act we've had rather great geographical shifts in production. We've tended to move our cotton production into the delta areas, into the high plains areas of Texas and into California where, as a nation, we are more efficient competitors in the world market. And the world market has to be important to us because we always need to export 40 percent of our cotton, two-thirds of our wheat, half our soybeans, a

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fourth of our feed grains and the like of that. And we simply can't get in the situation that we ignore our position in the world market. We've tended to shift our corn and soybeans to the Corn Belt, our wheat to the Great Plains areas and make those geographical shifts that could be done when we weren't frozen in place by a system of quotas and allotments. We've reduced our storage costs. Three years ago when I sat here we were spending $1 million a day for storage costs. We were spending nearly $4 billion a year in payments to our farmers of one kind or another. They were getting a substantial share of their income as recently as 3 years ago from the Government. That has now been reduced very substantially. Our storage costs have been reduced almost to the vanishing point at the present time. We had—when we sat here 3 years ago—we had net farm income in 1971 of $13 billion. That went up in 1972—not a great deal.

In 1973 it went up to an all-time high—a time when farm prices had run ahead of farm costs and costs suddenly had a chance to catch up with prices and we hit an all-time high of net farm income in 1973 of better than $32 billion.

In 1974 this dropped some primarily because of escalating costs. It had dropped to $27 billion. It's going to drop some more in 1975. We don't know how much. We are practically certain that 1975 net will be the third highest net farm income in the history of the United States. When I say that, I'm aware that inflation has robbed some of the purchasing power in those dollars. But even after we take that into account we feel it will still be the third highest year in net in the history of the United States.

Farm exports—when we sat here 3 years ago they were running less than $8 billion a year. These have gone up to the point where in fiscal year ending last June 30, we exported a total of $21.3 billion of farm products. In the fiscal year we are in right now ending next June 30, this will probably be $1 billion higher on a little lower physical volume. But because of higher unit prices the total export value of American products will be in excess, we think, of $22 billion this year. I think that's a mighty good record for agriculture at a time when we are struggling desperately to maintain some black in our balance-of-payment accounts. It must have been a very painful announcement for Secretary Dent a few weeks ago to announce that we had a negative $3.1 billion in our balance of payments last year. And, had it not been for $21.3 billion of farm exports, we'd have really been in trouble last year.

Our present food policy, I think, can be summed up in a few very simple words. We are often accused of having no food policy. I see the headlines that the food policy of the administration is bankrupt. If Butz just had a food policy we'd be better off. I think we have the most positive food policy we've had in my experience. I can sum it up in a very simple word. I can call it plenty. The Lord gave us some great agricultural resources in the United States unmatched any place else on the face of the Earth and we've now got a policy directed toward using them. For our benefit, for feeding our people well and for assuming our role as a great humanitarian in a world of need at the present time. It's a policy of freedom from government; it's a policy of maximum opportunity by the individual farmer to make his own production decisions. It's a policy of lower tax costs that has

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gotten the Government, essentially, out of agriculture; and from where I sit, at least, it makes sense if we can maintain this policy and still assure our farmers an adequate income, which is what we have to do. This is in sharp contrast to the policies of the past with high storage costs with a curtailment of opportunities to produce with a flood of bureaucrats chasing around all over the country checking up on our farmers, checking up on compliance and so forth. And I think the contrast is well marked. But here we are at the questions now; and of the basic questions we face right now, Mr. Chairman, I think one involves this question of rising costs. It's one of the reasons, I think, our farmers have such a vital interest in cooperating with the administration effort to stop inflation. Because they can't gain from inflation.

The gains they get from inflation are short lived, for costs catch up and costs stay up. It is in farmers' interests to stop inflation if we can. I want to pledge our support in back of every effort we can to stop inflation, but the basic questions we face then: Are we going to maintain maximum price freedom or get the Government back in the pricing business again where the Government sets the price for food products, essentially? One of the things I fear, Mr. Chairman—as I've looked over the testimony that has come before this committee in the last 2 or 3 weeks with so many recommendations for substantial increases in target prices and in loan prices—one of the things I fear, is that we'll get back again to the point that these prices become the effective price. They become the incentive price. And when we get our farmers again producing essentially for Government warehouses and storage bins—which I think would be unfortunate if we did that—if we did that and the Government gets in the business of setting prices, recognizing the political complexion of this Congress—and I think all succeeding Congresses where the agricultural muscle in the Congresses has been very seriously eroded as it has in most State legislatures—I think if we get back to the point where Government begins to set the price it will always be set at the lower level.

It would have been impossible in the last 2 years had Government been substantially in the storage business—it would have been impossible for farmers to have ever gotten $6 or $7 for soybeans, to have ever gotten $4.50 for wheat, to have ever gotten $3 for corn or to have ever gotten 50 cents for cotton. And I say that knowing full well that the price of cotton now is below that, but we would have set an effective ceiling price at levels substantially below market that farmers have enjoyed at times as recently as in the last 12 months. And more than that I'm firmly convinced it would have been very difficult, if not impossible, to have made the market penetration in export markets that this agricultural plant has made the past 2 years. I think cotton, Mr. Chairman—it's a very important crop in the South and a very important crop nationally. It hasn't been very long since the United States was a residual supplier of cotton in the world of markets as we were a residual supplier of feed grains and wheat in the world markets; where we had substantial stocks owned by Government, the released price was announced and known around the world. Our competition just undersold us until they had moved all their stocks and then we became a residual supplier and accumulated stocks here and essentially carried the world stocks in this country here. I hope we don't get back into that situation again. If we do,

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I think it will lead inevitably to pressures from this body right here and from the House of Representatives to curtail costs that were inherent in our former program. It will lead to production quotas and allotments.

It will lead to a shrinking American agriculture. It will lead to higher food costs for our consumers, too, if we do that. Because any production plant whether its agriculture or a foundry or a textile mill can be a low-cost producer only when it operates at optimum capacity. They can't be a low-unit-cost producer when they operate at, let's say, three-fourths capacity. And if we ever get to the point, again, that we have to shrink our agriculture back to, let us say, 75 or 80 percent of capacity we are bound to be higher unit cost producers than if we operated optimum capacity. And therefore I think it's in the interest of the American consumers from many points of view to make sure that we do have a vigorous export market, that we do have an expanding domestic market so that our expanding agricultural plant can operate at optimum capacity in the interest of being a relatively low-unit-cost producer. Now I think we are that right now.

I know you are going to examine the whole question of target prices and loan rates. While I personally oppose any substantial increase in target prices, I do think we have to take a realistic look at loan rates, for example. These things are within the administrative discretion of the Department of Agriculture in most cases where they are set.

I don't want to get them set at a level that will accumulate Government-held reserves. And I know when I say that that I'm speaking against the wishes and the honest position of some members of this committee. You have legislation before you that will establish a reserve of 200 million bushels of wheat, for example—Government-held reserves. A lot of people think that we don't have any reserves at the present time because the Government is not in the reserve business. This is not true.

We have 1 billion bushels of wheat in the United States now. The Government doesn't own a bushel of it. We may own a bushel, but a very small quantity of it.

This is truly a reserve. We are not going to burn it. We're not going to dump it in the ocean. We are not going to put it in an abandoned Kansas salt mine. You've got salt mines in Kansas I think.

Senator Dole. Right.

Secretary Butz. We are going to use it. It's out here. It's owned by farmers. It's owned by country elevators. It's owned by terminal elevators. It's owned by the trade. It is more truly a reserve, I think, this way, than if the Government owned it.

For, if the Government now owned 200 million bushels of wheat, the public pressure to force that wheat back into the market to blunt bread prices, and to blunt food prices, would be so intense that it is doubtful if anybody in my position could continue to sit on top of it publicly held, because of the pressure that would come in an effort to blunt food prices.

Now, those of us around this table know that there's doggone little relationship between the price of wheat and the price of bread, but the lady in downtown New York doesn't understand that. We under-

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stand here that there's less than 5 cents worth of wheat in a 1 pound loaf of white bread that currently sells for 40 cents down here in the store. But the public attitude is that, if the Government owned 200 million bushels of wheat, we would just get that back in the market, the price of bread and the price of food will come down.

And, therefore, I maintain—I think, with considerable logic, that our reserves are more nearly reserves and are more nearly available for the use we want them to be put to held in private hands under our system, than if owned by the Government.

We are only 2 or 3 years away from substantial Government ownership of reserves. As I said 3 years ago, we sat on top of mountains of this stuff. These weren't reserves in the true sense of the word. They were surpluses accumulated from a price support program that wasn't working very well.

As a result, however, the United States was carrying the reserves for the world. Importing nations from this country didn't have to carry reserves, because they were always here at a stated released price. Domestic spinners and millers didn't have to buy forward in a market where your raw commodity is produced on a 12-month annual production cycle. It was only a year ago this month that the American Bakers Association launched this phony campaign that, if we didn't impose export controls on wheat, we were going to have a dollar-a-loaf bread. It was as phony as a $3 bill. We never got close to that. But what was the problem?

The problem was that they too had grown so accustomed to having the U.S. Government perform their inventory function for them, that they had forgotten how to buy forward in a market where the raw produce was out there. And they really preferred to have the U.S. taxpayer perform their inventory function for them.

Typically, until a year ago Japan, a major customer of the United States, had a 3-week supply of grain in Japan and 3 weeks' supply on the ocean. We carried the rest of it. Early last fall the Japanese had placed their orders for all the soybeans they needed for the current year and all the feed grains they needed for the current year, and a substantial part of the wheat they needed for this year. Now they don't have that in Japan. It's in this country. But they placed their orders for it. They now recognize that the U.S. taxpayer is not performing the inventory function for them any more. And I think this is a very wise decision on their part and one that should stand. But, if we get back into the stance once more that we get our Government target prices—or loan prices, as the case may be, high enough that we begin once more to accumulate Government-held surpluses, inevitably we will find the rest of the world looking to us to carry their inventory for them.

When we were at the World Food Conference in Rome 3 months ago, we discussed a great deal this question of stockpiling of world food reserves. And unofficially we set a target of 60 million tons that should be available for reserves, each country to decide for itself how it would handle those reserves. There has been a meeting of that committee in Rome and in London two times since. And our people come back from that—there's no great enthusiasm on the part of many other nations to begin to assist with reserve problems if the United States and Canada will do it. And we did it for years.

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I think we have to use care we don't get back into that stance again, because—as I said a while ago—just as surely as we do get back into it, there will be pressure to dissipate it in this market. It would become a ceiling for our farmers here. And it will make us a residual supplier in the world market. This I don't want. Agriculture has got to maintain a vigorous, positive stance in the international commodity market. We have to, for the good of agriculture, for the good of America. And I don't think we can do that if we get to the point that we have these heavy surpluses owned by the Government where they state a release price, as you nearly always do.

One or two more comments, Mr. Chairman, and I'll yield then for questions.

We have some internal commodity problems. Beef is a case in point. The beef industry is in distress. I don't need to detail that. It's a 10-year cycle that we're going through. The oldtimers know that it happens every 10 or 12 years. That's small comfort to the young man who got in at the high debt levels of a year or two ago. We're going to work our way out of this thing. We are watching imports very carefully. And this Congress, and Senator—I believe you authored the beef import law that has been suspended the last year or two.

The last year, with no import quotas in effect, the beef shipments into this country were below the trigger point defined in the Beef Import Law of 1966, primarily because this is not a very attractive place to market beef.

Australia held their slaughter back, but at some point in time those cattle in Australia have to come to market. And I think that time is the last half of 1975.

As a consequence, the President directed that we enter into negotiations for voluntary limitations on shipments of beef to this country. Those negotiations are going forward. And I think our State Department is handling them very satisfactorily in full concert with our people in agriculture. Our beef consumption will be up this year by some 7 or 8 pounds over last year, as we eat our way out of this problem.

Fortunately for beef producers, we have a smaller supply of pork and a smaller supply of chicken in 1975 than last year, so that I think we'll be able to absorb these increased beef numbers this year with less adverse impact on beef prices than might have occurred if the hog cycle and chicken cycle had been in a different phase.

With respect to dairy, they likewise are having some difficulty with cost-price ratios, especially in the Northeast, where they have very difficult feed problems, where transportation is difficult. The Penn Central Railroad, as you know, is in difficulty, and they are at the end of the transportation line on feeds anyway. We did raise the dairy price supports modestly a few months ago. We are again acquiring some products under our CCC price support program. We've been able to move the butter and the cheese we acquire pretty well through our school lunch program. The nonfat dry milk: We have in excess of our capacity to move it that way, and we are programing some of that, as best we can, into Public Law 480 shipments, but there, again, the opportunities for that are limited.

As a final word about increases in our foreign food aid and our stance in foreign food aid. This has been a matter of considerable discussion and conjecture. It is, I presume—I haven't read the full

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release—I presume it was the basis, Senator McGovern, of your calling for my resignation here, that I haven't been giving food away fast enough. I presume. I haven't read this. But I probably could have written it without reading it. This has been a matter of considerable discussion. It was a matter of discussion at the World Food Conference in Rome.

The President recently announced an increase of some $600 million available for Public Law 480. There was some criticism from some members of this committee for not having done that previously. In the meantime, however, we had been approaching this matter of the humanitarian needs of the world on a quarter-by-quarter basis. And we did program during the first quarter of this year, at a rate substantially in excess of the annual rate, of the $1 billion which had been available. And I think that we did a pretty good job of meeting the real needs.

In those days during the World Food Conference, with all the rhetoric we had taking place, those 2 weeks, we were moving ahead quietly on amendments to our title I program, to Bangladesh, for example, where they are indeed suffering because of floods last year. In the second week of the World Food Conference, we issued a purchase authorization, I recall, for 50,000 tons of wheat for that country. We are programing substantially more wheat and rice for foreign food relief than a year earlier. We are doing this—programing less tobacco, cotton, less feed grains and less vegetable oils, recognizing that you meet the world's hunger needs with food grains, which is wheat and rice. And we happen to be in a pretty fair supply situation on those two crops last year.

We had a record crop of wheat last year. Not a record crop of rice, but a large crop of rice. And we moved that abroad.

But let me say, though, that I don't make any apology for the record of these United States in food shipments and food relief.

In the last 20 years since Public Law 480 was passed—and I think it was passed in 1954—we are in our 21st year right now. In the last 20 years, the United States has given away in excess of 25 billion dollars' worth of food under Public Law 480. Most of it at substantially lower prices than now, and that's a pretty substantial movement. In the 8 years, for example, 1965 to 1972—and I just happen to have those 8 years in mind, the United States supplied 84 percent of the food relief moving from the developed nations to the developing nations.

And I know that you may argue that this was a way we had of getting rid of our surpluses, and that we are looking at some place to put it. In part, that was true. But the mere fact that we supplied 84 percent at a time when we are not the only affluent Nation in the world, at a time when the European nations whom we helped get back on their feet can now pick up a part of this, at a time when Japan whom we helped to get back on its feet, can pick up a part of this. All I'm saying is that I think this is a world burden that I think should be more broadly shared. And we could move in that direction.

I don't subscribe to the thesis that, simply because the United States and Canada and Australia are surplus grain producing nations, that it's our responsibility to provide free food for the world. I don't

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subscribe to that, any more than it's the responsibility of the Arab nations to provide free petroleum for the world because they happen to have it.

This is a burden that needs to be shared. And, through the world food program, it is being shared. And, while I mention Japan, I want to say that Japan makes a contribution to the world food program, as the European community makes a contribution. But the point I'm making is we still are supplying the lion's share of food at the cost of the U.S. taxpayer.

Now I hope we don't liberalize that to the point that it displaces dollar sales. Last year our agricultural exports totaled $21.3 billion. All but 1 billion of that was commercial sales for dollars.

I think we want to remember that this too is a way we have contributed to alleviate the world food program through commerical sales. And it's going around the world. Many of the developing nations have foreign exchange. India, for example, is a great exporter of sugar, and sugar has been a pretty good earner of foreign exchange for the last year. I simply point that out as a case in point. And India has been in our commercial market for wheat. They purchased over 3 million tons of wheat from us for dollars, and they purchased also from Canada and Australia. Now that doesn't mean we're not going to help them. We are. We are in the process of doing it now.

But I think, Mr. Chairman, we have to take care that our concessional sales do not displace dollar sales, for we need the dollars. America needs them. We need it to pay for petroleum. Agriculture needs it. And I think we've got to recognize that this is our No. 1 source of foreign exchange now.

Well, Mr. Chairman, just to wrap this up—perhaps I would have saved time if I had read my statement here. But somebody else wrote the statement. I've been speaking from the heart.

To wrap this up, I think we've made substantial progress in agriculture these past 2 or 3 years. We have, under your guidance as chairman of this committee and the legislation passed by this Congress. Let's not lose the good things that we have achieved. Let's keep our farmers as free as we can to make the decisions they want to make on their farms. Let's keep agriculture adaptable so that we can make geographic shifts as we have, so that we are as competitive as we can be in the world markets.

Let's avoid the accumulation of Government-held stocks again, if we possibly can. And I'm sure we can do it. Now we may have to make—I may have to back up some on that myself. I think once the United States makes a commitment that our level of aid in foreign aid thinks it's going to be $1 billion or $1.5 billion, or whatever it is, then we make a rough determination of how that's going to be distributed among wheat and rice and whatever else. I think we ought to assure ourselves somehow that those supplies to fill that commitment will be available when we need them.

Now they have been the last year. We've gone into the marketplace to get them. And I guess in the last year, if the Government had gone in to bid against the then current buyers to accumulate stocks, it would simply have escalated the price. But, to that extent, I think the Government may have to get involved in the commodity business. But I hope we don't get into a new stance of price supports and target prices that move us beyond that.

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And this, I think, is not related to target prices and supports. It's simply to assure us that once we made a commitment for food relief, we are going to have it. I hope we can always keep our supplies available to purchases any place around the world. Now we've cut across that sometime in the last year or two. We had this embargo in the soybean exports 18 months ago. I think this was a mistake—in retrospect. But, at the moment, the pressures to do something like this was so tremendous that I think both the Congress and the administration had to do something like this. But we had no sooner done it, and ambassadors came to my office and to your office, and prime ministers came to this town saying, "Are you really going to cut off our lifeline, our access to your market?" It sent shock waves through Japan. They depend on us. They regard us as their farm. Last fall when the U.S.S.R. came to this country and made what we thought was an excessive purchase of corn and wheat, again we had to blow the whistle. And we instituted some quasi export controls. We required prior approval of any export sales of grains in excess of 50,000 tons. In every case, to my knowledge, that requests have come for exports, they have been approved.

In some cases we delayed it. I think one of the nations in the Persian Gulf, for example, that came in and had placed orders with two or three American exporters that added up to more than we thought they were going to use for their own domestic consumption—we held it up for a week until we made sure that they were not doing it for excessive stockpiling. They were not doing it to sell to another third nation. Then we approved it.

There have been some other cases of delay like that, but I suspect the mere fact that we had these in place may have discouraged some shipments. Two or three weeks ago we relaxed this requirement so that now you have to get prior approval only for sales in excess of 100,000 tons, except for corn. It's still 50,000 tons. Corn is still being in a situation where some foreign purchasers could come in and corner our supply.

Mr. Chairman, we are seriously examining right now a further relaxation of this. I know there's a great deal of pressure from the country to remove these controls. I share that. And I hope shortly to be able to move substantially toward further relaxation, still perhaps with some prior approval on corn, because the situation here is such that a major outside purchaser could indeed stop our supply of food, feed grain. And we can't permit that for our own livestock producers.

Let me say, Mr. Chairman, publicly my pleasure has been to work with you as chairman of this committee. The chairman is, himself, a farmer—a great agriculturalist and, from my point of view, it's been a real pleasure to work with a straight shooter who, when he disagrees, does so and tells you in a friendly fashion. I hope, Mr. Chairman, you found me the same kind of operator. Thank you very much.

The CHAIRMAN. Thank you very much. And I have, Mr. Secretary. That was a very eloquent statement here, from your point of view. I have a few questions, Mr. Secretary, for the record.

What do the economists in the Department of Agriculture estimate that it costs to produce a bushel of corn, a bushel of wheat, a bushel of soybeans, and a pound of cotton in 1974?

Secretary BUTZ. Well, our economists just put those figures together this week, in response to a member of the Agriculture Committee.

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Let me take wheat in Kansas, for example—Kansas being our leading wheat-producing State.

The variable costs, the machinery depreciation, the general farm overhead adds up—now, this is everything, exclusive of land rent—adds up, at the present time, to $1.54. To put land rent on that, at the current price of land at 8 percent—now, that becomes a cost or a new purchase; to somebody who's had the land in his family for some while; it's not a real cost, but you add that at 96 cents, brings that to $2.50.

The CHAIRMAN. How about corn?

Secretary BUTZ. Corn in Indiana—they probably chose Indiana because they knew that I was from there—the total cost, exclusive of land at the present time, $1.12 and they add 67 cents for land charge at 8 percent of the current price of land—brings it to $1.79.

The CHAIRMAN. How about cotton?

Secretary BUTZ. Cotton, in the delta area, comes out to be 40.86 cents and you add your land rent in there and you come out to 48 cents.

In the delta area, it'll be just a little less than national average but not much.

The CHAIRMAN. How about soybeans?

Secretary BUTZ. I don't have the soybean figures here. Do you have the soybean figures?

VOICE. No, I don't. We would have to get one, Mr. Chairman.

The CHAIRMAN. What do you estimate in 1975 the same commodities——

Secretary BUTZ. These are 1975 cost estimates I have. I beg your pardon.

The CHAIRMAN. These are 1975 and not 1974?

Secretary BUTZ. I beg your pardon. These are 1975 estimates.

The CHAIRMAN. You are speaking of the target price and I agree with you that's not the target price that we hope farmers will receive in the marketplace. Rather, I see it as a guarantee that he will not sell that commodity below that price in the marketplace.

Would you share that view?

Secretary BUTZ. I certainly hope so because under the legislation, if he sells it below that price in the marketplace, on an annual average, then payments are due him.

The CHAIRMAN. We've had a multitude of witnesses before this committee for the better part of 2 weeks. Virtually all of them thought that the target price ought to recover approximately the cost of production of a basic commodity Would you share that view?

Secretary BUTZ. It depends on how you defined cost of production. Economists have never agreed on how you handle land charges, in cost of production. We've had a very rapid escalation in land prices the last 2 years. As a matter of fact, in 1973 the price of farm land in this country increased by approximately 25 percent and about 15 percent last year. If you put 15 percent on 25 percent, you get a 43-percent increase in 2 years.

Is this really a cost of production for the fellow who had the land; who's had it all the while; is it really a cost of production? Economists have always disagreed on this.

I guess part of the rapid escalation in land prices, in the last 2 years, does, in fact, reflect the unusually high prices we received for products

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sold the last 2 years and you get to the point after awhile where you are putting your income back in as a cost factor. And I'm just not prepared to answer yes or no, whether target prices should reflect the total cost here, including land prices.

The CHAIRMAN. Take the figures you submitted as production costs, which, I think, are reasonably realistic. Do you think a target price concept for basic commodities should guarantee the farmer approximately that cost?

Secretary BUTZ. Well, somehow I think he ought to be guaranteed, if we can, his variable costs that come in from year to year. Again, I'm wheezling on this question of land cost. I think I would have to answer negative, if you put land cost in there.

The CHAIRMAN. OK. Let's get to the loan concept then. Most all of the witnesses who testified here, representing themselves as individual farmers, and speaking for farm groups, thought the loan level ought to be approximately 80 percent of the production costs.

Would you agree with that?

Secretary BUTZ. Again, I think in some commodities you can't disassociate the loan level from the world price; let's take cotton as a case in point. If we get the price of cotton too high, either by the loan level or by the target price, we very rapidly lose our world market because you, not alone, compete with cotton—you compete with synthetics and manmade fibers, in a case like this. It's very difficult for me to give a categorical answer to something like that. Let's put it this way, I'm flexible on loan rates.

The CHAIRMAN. Now, Mr. Secretary, have the economists, in the Department of Agriculture, come up with an estimate for net farm income for 1975?

Secretary BUTZ. Very roughly. I, only this morning, checked with Dr. Paarlberg. He's missed his prediction so often the last year, he's getting gun shy on predictions.

The CHAIRMAN. That's been true, I feel, of all economists.

Secretary BUTZ. Well, I still make predictions. Our net income for 1974 is estimated at $27 billion. We think our gross receipts from American agriculture in 1975 will be equal to, or perhaps a little larger than in 1974, but costs have escalated so rapidly that net income may well be in the neighborhood of $20 billion, which, as I said a while ago, would be the third highest we've ever had.

The fourth highest would be $17.5 billion in 1972. Twenty billion dollars is substantially below what we had 2 years ago and below 1 year ago—above 3 years ago but, as I said, the value of the dollar has eroded, too. And, I suspect that a $20 billion net in 1975 would be no more in purchasing power than the $17 billion was in 1972 if, indeed, it's that much.

The CHAIRMAN. It would be a reduction in net income approaching 30 percent; would it not, Mr. Secretary?

Secretary BUTZ. Yes, sir; yes, sir, that's right.

The Chairman. Now, currently, our committee staff is soliciting information from State agriculture experiment stations on the cost of prediction of farm commodities. I've asked the staff to send this material to the press within the next week or so, so that it may be used for consideration by this committee and the Congress in considering farm legislation.

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Would you please provide the committee, no later than February 28, an up-to-date estimate of farm income estimates for 1975 and include the assumptions on which these estimates are made?

Secretary BUTZ. Yes, sir.

[The following information was subsequently received for the record:]

Question. What are your estimates and assumptions regarding farm income for 1975?

Answer. Realized net farm income in 1975 is tentatively estimated at somewhere around $20 billion. This would still be the third highest level on record. Assumptions underlying this early estimate include the following: (1) normal planting, growing, and harvesting weather, (2) a large crop of grains and soybeans, considerably above the "poor weather" conditions of 1974, (3) large, but orderly marketings of cattle this year, with short supplies of pork, (4) a weak domestic economy, with high unemployment and continued inflation, and (5) another increase in production expenses, but at a slower rate than in 1974.

Under these assumptions, 1975 crop receipts will probably show a substantial drop, and some slight improvement in livestock receipts over last year's poor performance is expected. Farmers' gross income may edge down. With production expenses increasing, a sizeable downturn in net farm income is likely.

On the other hand, however, if 1975 crops should turn out as poorly as in 1974, crop prices would strengthen significantly and receipts would remain near 1974 levels. Under this condition, livestock prices would weaken in the face of heavy liquidation of cattle. Also, the feed bill to farmers would jump sharply and push production expenses well above 1974 levels.

The CHAIRMAN. Mr. Secretary, because of the disastrous economic conditions of cotton farmers, and because of the possible disastrous condition of feed grain and wheat producers, if we have a surplus crop, it is necessary that the Congress pass farm legislation quickly enough to take effect in the 1975 crop year. Therefore, it will be necessary for the committee and its staff to do a great deal of work in a very short period of time, even though you and your policymakers may differ with the decisions of this committee, can we depend on you to make available to the committee and the committee staff, the expertise of the U.S. Department of Agriculture for drafting and perfecting the farm legislation which we may develop?

Secretary BUTZ. Yes, sir, we always stand ready to be of any possible service.

The CHAIRMAN. Now, Mr. Secretary, on Tuesday of this week, we heard many prominent witnesses, both from the administration and from leading private organizations, testify as to the hunger which exists around the world and the need for additional food. On the following day, we heard witnesses from the peanut industry testify that you are holding almost 400,000 tons of peanuts, which you refuse to sell because you will not sell them below the support price. As you know, peanuts are perishable and many of the peanuts that are being held have already started to deteriorate. Rather than let these peanuts rot and rather than let the Government suffer a loss of millions of dollars on these peanuts, would it not be better to begin immediately to move these peanuts out to a hungry world both through commercial sales and Public Law 480 shipments?

Secretary BUTZ. Well, we are holding these, at the present time, at 100 percent of the loan price. As you know, Mr. Chairman, only in the last 3, 4, or 5 weeks have peanuts ceased to move in commercial channels here. When you say "wouldn't it be better to move them out rather than"—if we move them out, we would sustain a loss, too. It's just a question of which kind of loss you would sustain.

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The CHAIRMAN. Wouldn't it be able to keep the order?

Secretary BUTZ. Well, I don't know that. If you do that, you maintain you have price limits if you do that and I know in prior years we sold these peanuts for crushing and exporting, whatever the market would take. As you know, the peanut program was a very expensive one relatively speaking as recently as 2 years ago. I think we dropped some $78 or $80 million in goods. In the last year, it hasn't cost anything and that's no particular credit to peanuts. That just reflects a high world price for soybean oil and for vegetable oil, so that the oil has moved well. The world price is coming down on vegetable oil generally and I think peanuts are heading for trouble again, as nearly as I can tell. We are heading into a situation where, unless we change programs, they are going to have a net loss any way you slice it but may, again, approaching $70 or $80 million or some people say even $100 million. That's one of the reasons we've taken this position—that this program needs a change .We've met with an advisory group, the industry group, as you know, and I understand the group itself is coming forward with some recommended legislation.

The CHAIRMAN. My time has expired. Senator McGovern.

STATEMENT OF HON. GEORGE McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA—Resumed

Senator McGOVERN. Mr. Secretary, one of the qualities I admire in you is your appreciation of blunt talk.

Secretary BUTZ. You and I have that in common, George.

Senator McGOVERN. Well, I hope we do. I don't want you to resign; I just want to help you be a better Secretary.

Secretary BUTZ. They just handed me this this morning. Doesn't that say you call for my resignation?

Senator McGOVERN. Well, there's some "ifs" in there.

Secretary BUTZ. There's some "ifs" and "buts" in there.

[Laughter.]

Senator McGOVERN. The basic purpose of American agriculture, as you know, is to feed the American people. We've worked very hard, both in the executive branch and on this committee, to provide programs to help the farmer produce and to help them produce profitably.

We've also tried to assure that the American consumer in this country gets a decent diet. These efforts, I think it's fair to say, are being tested now as critically as they have been since the Great Depression. The problem is not so much getting a day's work out of people for a day's pay, but the fact that we have 7 or 8 million people that can't find jobs at all.

These are real flesh and blood human beings like the autoworker who testified before the Nutrition Committee in Detroit a couple of weeks ago—a 45-year-old man who broke down and wept in front of that committee because he couldn't feed his family. There are people like the old woman who was found dead in a St. Petersburg flat a few days ago. She weighed 76 pounds. The coroner frankly said she just starved to death; she died of malnutrition.

I think that kind of thing should not be happening in America.

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The Food Stamp Program, in the beginning, was designed to make sure that kind of thing doesn't happen. But it's clear to me that, as this crisis deepens, we are going to have an even more severe strain on the program.

We really don't need any further studies to show that there are people in this country who can't afford a decent diet. You would see the evidence of that, as I have, in visiting some of these food stamp offices where the lines begin to form at 5 o'clock in the morning. It's a grim and depressing experience to be out there with these people. I really don't think the Congress ever intended that the program should work that way—the long lines of people standing out there in the cold before dawn waiting for an opportunity to be certified and to qualify for this program.

But, what bothers me, Mr. Secretary, is that, very frankly, I don't think you like the Food Stamp Program. I think you regard it as a kind of embarrassing welfare program. You've complained, at various times, about it being a program that encourages irresponsibility and laziness on the part of the American people.

It's my own view that nothing will make a person lazier than the pangs of hunger or a bad diet. Now I wouldn't mention your personal feelings about this program if I didn't think it was important to how the program is administered at the State and local level. And it's my own judgment, after observing it for a number of years, that the program is not working as well as it should, at the State and local level, partly because administrators really feel that you don't want to do work as intended.

I know that's a serious charge and I'm prepared to back it up.

The Nutrition Committee will issue a special report shortly on the whole food stamp program, with a dozen or so recommendations and every one of those recommendations are matters that could be implemented without legislation. I think the reason it is not done by your Department is that you simply do not want more people in this program receiving more adequate benefits as intended by the Congress. Instead of that, we are going to have to go through more battles with you and the administration if we're going to take care of the needs of these hungry and deserving people.

I still can't understand the recent attempt that was made to cut back the Food Stamp Program by a regulation that you signed, unless one understands it simply as a matter of a personal negative philosophy on your part toward America's hungry. It certainly made no fiscal sense at all to take money out of the pockets of low income families—money that would move more quickly into the economic stream than a similar concession to people on higher income levels.

It's that kind of negative attitude—almost the impression that you don't want the program to reach those who are presently outside of it but who qualify and should be taken care of.

The point I want to make here basically this morning, Mr. Secretary, is that whether you like the Food Stamp Program or not, it is your duty to see that it works and that it works as efficiently as possible. And it shouldn't require court orders. People shouldn't have to go to court to get your Department to enforce the law.

And that's why I said that if you don't like the food stamp program—and I stress the "if"—as written and if you don't want to run

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it the way Congress intended, then I think you should resign as Secretary and come up here to the Congress where you have the power to change the program or eliminate it entirely. But, as long as you are in the job of Secretary, you should reread that law which requires you and no one else to administer this program in an effective and efficient manner.

Now, let me just illustrate what I'm talking about so that we're just not operating on the theoretical level here.

Section 5(a) of the law directs you to extend this program to those households whose income and resources are determined to be substantial limiting factors in permitting them to purchase a nutritionally adequate diet. And that means all households who so qualify.

Section 7(a) directs you to insure that the stamps enable a family to buy a nutritionally adequate diet. Section 7(b) directs that the charge for the stamps shall be a reasonable investment on the part of the household but in no event more than 30 percent of the household income.

Section 10(e)(2) requires that you prescribe appropriate procedures for the certification of households and you have now issued regulations stating that subsequent to applying an eligible household must be certified within 30 days. That's your own regulation.

Section 10(e)(5) directs you to administer an effective outreach program so that millions of eligible families who need food stamps know about this program and know how it works and know how to qualify.

Now, Mr. Secretary, your administration of this program daily violates those provisions of the law—not only the law as passed by Congress but even your own regulations. Despite the direction to extend this program to all eligible families, there are at least 15 million Americans who need the assistance and are not receiving it.

Despite the direction that only a reasonable investment and in no event more than 30 percent of a family's income be required, you attempted to charge 30 percent for everyone. You must have known, as the courts know, that is a violation of the Law.

Despite the direction that the amount of stamps enable a family to buy a nutritionally adequate diet, we know that the current economy diet approved by your Department will not last the average family for 30 days despite the direction that applicants be certified within a reasonable period of time, which you have said is not more than 30 days, your Department itself estimates that at least 65,000 people are now waiting longer than 30 days and the Nutrition Committee staff believes that figure may go as high as 100,000.

And, finally, despite the direction to administer an effective outreach program—in other words, to tell the American people about this program and how it works—a United States District Judge recently found of your performance, and I am quoting, "the Secretary's response to the congressional directive when viewed in its totality is fairly described as a total failure on his part to do what the Congress intended him to do."

A total failure, Mr. Secretary. That's a lot stronger language than I've used. I never said you were a total failure.

Secretary BUTZ. Just 99.4 [Laughter.]

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Senator McGOVERN. So for whatever reasons, Mr. Secretary, ou've chosen to overlook the law and the intent of the Congress nd instead of facing up to the Nation's crisis and the hunger it oints to, we, in effect, find your Department taking food stamps ut of the hands of people, raising the price, restricting the regulations nd causing these long lines, and failing to encourage the States to dminister the program more aggressively.

So I urge you, Mr. Secretary, on behalf of the congressional intent, n behalf of the law, on behalf of our fellow citizens to make this rogram work as the Congress intended before it becomes necessary or Congress to do battle with you once again.

The CHAIRMAN. You may respond, Mr. Secretary.

Mr. BUTZ. Well, you've made some very serious allegations, Senator, hen you've accused me of deliberately violating the law. I simply an't sit here and take that without fighting back.

Senator McGOVEN. Well, I didn't expect you to.

Mr. BUTZ. Because that absolutely is not true. It may have been hrough oversight or negligence or error in cases like that we may ave sometimes done that. We may have sometimes run contrary to he expression of Congress but I can't let you sit there and say that 've deliberately violated the law. I swore when I took this office hat I would uphold the law and I think I've done that.

Now, then, to come back to this food stamp thing. Never in the istory of the United States, in the history of any nation in the world, ave governments been as generous with free food as this administraion. We currently have better than 17 million Americans on food tamps. Now, maybe there ought to be 27 million. I won't argue that. But there are 17 million on food stamps. The budget in our Departnent for food stamps has escalated a great deal until now we are a najor welfare department in agriculture. Sixty-four percent of our JSDA budget this year is welfare omitting the Public Law 480. If put the billion dollars of Public Law 480 in there I'm over 70 percent velfare and frankly I'm concerned about that. I'm afraid that if that ontinues to escalate at some point in time when the inevitable drive omes for governmental economy and the orders come through to ake a 10 percent or a 20 percent cutback in USDA budgets you an't touch this. You touch the scientific work, you touch the research vork, you touch the conservation work, you touch the forest work, ou touch the Soil Conservation Service and these are very essential hings in the Department of Agriculture and for this Nation.

Now, then——

Senator McGOVERN. Could I stop you at that point?

Secretary BUTZ. No, the Chairman gave me time to respond there.

Senator McGOVERN. I just wanted to comment, but I'll wait.

Secretary BUTZ. Well, I had to wait for you. [Laughter.]

I was chomping at the bit here. You talk about the administration f this program. This is a State-administered program and State welfare gencies administer this program under guidelines set down by the Department of Agriculture. State departments of welfare have primary esponsibility for the outreach program. They pick up half the cost, e pick up half the cost on a matching basis. This has been escalated I hink, frankly, in the proposal we have this adjustment last time to nove up to 30 percent of adjusted income was in compliance with the

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law; it was not in violation of the law. And whether or not that provides an adequately nutritious diet is, again, a matter of interpretation. At the present time food stamp recipients in this country pay an average of 23 percent of their adjusted income for the food they purchase. Now, what's adjusted income? To get adjusted income you have a whole series of throwouts—from the gross income you throw out first 10 percent, then you throw out the taxes they pay, then you throw out the union dues, then you throw out medical costs over $10 a month; then you throw out rent over 30 percent of the adjusted income, which is a very low figure so that at the present time food stamp recipients instead of paying 23 percent of their adjusted income pay 12 percent of total income for food. Our proposal would have raised this on the average, again, you can always pick out cases—individual cases of hardship.

Our proposal would have raised this to 16 percent of total income which is substantially below the share of total income for food spent by the entire population and especially spent by low income people not on food stamps. Our proposal would have benefited some, it would have injured some in increased cost of food. It was, I think, consistent with the President's desire to get some degree of control in this whole expenditure process. Our best studies show that the food stamps are in part and frequently in large part an income supplement program. We don't know just exactly how much a dollar's worth of food stamps issued results in increased food purchases. Our best evidence is somewhere around 50 cents, in some cases less than 50 cents. This doesn't mean the food stamp recipients spend their food stamps for noneligible items. It merely means that this displaces dollars that would have been spent for food so that the Food Stamp Program in real essence is an income supplement program speaking in averages; for individuals that is not necessarily true. And this is one of the cases where I think it makes sense to take a hard look at this whole welfare program to transfer this program out of the Department of Agriculture into HEW and meld it into a revised welfare package that really meets the needs because we are essentially a welfare program here rather than a food supplement program.

The CHAIRMAN. Senator Dole.

Senator DOLE. I'll yield a minute to you, Senator, if you want to respond.

Senator MCGOVERN. Well, I don't want to take the Senator's time but let me just respond on this matter of the Department operating welfare programs.

I'm not going to argue with the Secretary that perhaps the budget costs for this ought to be figured in some other department. Maybe that makes sense. What I am saying is that as long as the law provides that the Department of Agriculture is to administer this program according to certain guidelines—until we change that law—you have some obligation to carry out what the Congress intended. It isn't just my opinion when I say a Federal judge rules it's been a total failure in terms of the outreach effort to put this program within the understanding and reach of the American people.

I would just add this: That when we attempt to pass farm programs here in the Congress to help the farmers of this country, it does sometimes make them more attractive to some of our urban

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friends if there are some "welfare" programs—if there is a school lunch program and a program for women and infants and children. While you may have some argument that these are welfare costs and not to be labeled as that I wouldn't entirely write them off as a means of enabling us to keep this Department of yours going at an adequate level here in the Congress.

Thank you, Senator Dole, for yielding.

[The prepared statement of Senator McGovern follows:]

STATEMENT OF HON. GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Secretary: I hope you will forgive me if my remarks this morning appear overly blunt. But, as someone accustomed to rather straight talk himself, I hope you will understand why these remarks are necessary.

You in the Executive Branch, and we on the Agriculture Committee—are charged with a heavy responsibility. We are charged with making sure that this great nation is capable of providing its people with adequate food.

Over the years, through a variety of federal programs, we have tried to insure that the American farmer had sufficient security and return so that he would produce abundantly and profitably. We have also tried to insure that the American consumer—even the poorest consumer—could afford a nutritionally adequate diet.

Now these programs are being severely tested by the worst economic crisis this country has faced since the Depression. The problem isn't whether Americans are putting in a day's work for a day's wages but whether they can find work at all anymore.

Unemployment now afflicts 8.2 percent of the work force. Seven and a half million Americans who want work can't find it. Before this crisis passes, there may be 10 percent of the American work force standing in the unemployment lines.

These are not just statistics. These are people, grown men and women, like the 45-year-old auto worker who broke down and cried while testifying before the Nutrition Committee in Detroit because he was afraid he could not feed his family. These are old people, like the 80-year-old widow who was found dead in her St. Petersburg flat, weighing only 76 pounds; the coroner actually declared that she had died from malnutrition.

Mr. Secretary, this should not be happening in America.

When the Food Stamp Program was enacted by Congress, we thought this kind of thing would not happen. We thought that, whatever else, no American—no matter how poor, old or unemployed—would worry about where the next meal was coming from.

The Food Stamp Program has an unlimited authorization. It is supposed to be based on the nation's need. That was the intent of Congress; whatever it takes to provide the people with a decent diet is what the Congress intended to spend.

It doesn't take special powers of perception to see that the need for this program is greater now than at any time in the recent past. We don't need any further studies to tell us that millions of Americans are going hungry. We don't have to look at more statistics to know what is going on. We only have to rely on our commonsense to know that there are hungry people in this country.

You could see the evidence yourself if you would accompany me some morning to a food stamp office where the lines begin forming in the dark and cold at 5:00 a.m., all across the country. I invite you to do that. It is a grim and depressing thing. But our fellow citizens are doing it by the thousands every day. I don't think Congress intended Americans to suffer this kind of indignity just to eat.

As we approach our 200th Anniversary, we should all be re-examining the basic purpose of this country as set forth by the Founding Fathers in the Declaration of Independence and the Constitution. It is that basic; it is that philosophical. It has very little to do with cheating; it has everything to do with eating as one of the basic rights of every man. That is the basic purpose of the Food Stamp Program—to promote the general welfare of the American people by looking after the health and well-being of those Americans who have come upon hard times.

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Yet, I think it is fair to say, Mr. Secretary, that you don't like the Food Stamp Program. You complain about this "welfare" program and other federal feeding programs being in the Department of Agriculture. You complain about welfare programs like food stamps making Americans lazy.

Actually, I can't think of anything that can make a man lazier or feel less like working than the pangs of hunger.

I wouldn't raise your personal feelings unless I thought it was important. It is important because I think those feelings are reflected in how this program is run on the State and local level. I don't think this program is working as well as it should, in large part, because administrators don't feel you really want it to work.

I know that is a serious charge. But I am prepared to back it up. The Nutrition Committee will issue a special report shortly on the Food Stamp Program with a dozen recommendations to improve it. Nearly all of these recommendations could be implemented by you—by changing the regulations without the need for legislation. But I don't believe you will take any action on these recommendations because it would mean more people in the Food Stamp Program receiving more adequate benefits. And you don't want that.

Instead, I believe we will have to go through another major battle with you and the President to implement these changes. And, while we are battling, millions of Americans will go hungry.

I still can't understand this recent attempt to cut back the Food Stamp Program by regulation which you signed, except as a matter of personal philosophy and a negative attitude toward putting a floor under America's needy. It certainly didn't make any fiscal sense. No money gets into the economy quicker than that received by the poor who can't save it like you or me but must spend it immediately to feed their families.

This negative attitude flies in the face of the law. Whether you like the Food Stamp law or not, it is your duty to see that this program works—and it shouldn't take court suits all over the country to make you do it. If you don't like the Food Stamp Program as written and you don't want to run it right, then I suggest you resign as Secretary of Agriculture and join us up here in Congress where you can change it or eliminate it altogether.

In the meantime, so long as you remain Secretary, I suggest that you re-read the law which requires you—and no one else—to administer this program in an "effective and efficient" manner.

Let me cite you some examples of what I believe this means.

Section 5(a) of the law directs you to extend the Program to "those households whose income and resources are determined to be substantial limiting factors in permitting them to purchase a nutritionally adequate diet."

Section 7(a) directs you to insure that the stamps enable a family to buy a "nutritionally adequate diet."

Section 7(b) directs that the charge for the stamps shall be "a reasonable investment on the part of the household, but in no event more than 30% of the household's income."

Section 10(c)(2) requires that you "prescribe" appropriate procedures for the "certification of households" and you have issued regulations stating that subsequent to applying an eligible household must be certified within 30 days.

Section 10(e)(5) directs you to administer an effective outreach program so that the millions of eligible families who need food stamps can be aware that they exist.

Mr. Secretary, your administration of this program daily violates, not only the law as passed by Congress, but even your own regulations issued pursuant to the law.

Despite the direction to extend this program to all eligible families, there are at least 15 million Americans, by the most conservative estimate, who need the assistance of food stamps but are not receiving them.

Despite the direction that only "a reasonable investment . . . in no event more than 30% of a family's income" be required, you attempted to charge 30% across the board and still charge the maximum for many families, some of whom can not afford it.

Despite the direction that the amount of stamps enable a family to buy a "nutritionally adequate diet," we know that the current "economy diet" approved by you will not last a month for the average family.

Despite the direction that applicants be certified within a reasonable period of time—and your own regulation setting forth 30 days as such a period—USDA itself estimates that at least 65,000 persons are waiting longer than that and the Nutrition Committee staff believes the figure may go as high as 100,000.

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Finally, despite the direction to administer an effective outreach program, a federal district judge recently found of your performance: "The Secretary's response to the Congressional directive, when viewed in its totality, is fairly described as a total failure on his part to do what the Congress intended him to do." "A total failure," Mr. Secretary. That's strong language.

For whatever reasons, Mr. Secretary, you have chosen to overlook the law and the intent of Congress. Instead of facing up to the nation's crisis and the hunger that it points to, we find you and the Administration trying to pull food stamps out of the hands of millions by raising the price, by restrictive regulations causing long lines and longer waits for the stamps themselves and by failing to encourage the states to serve the needy more aggressively.

I urge you, Mr. Secretary, on behalf of millions of our fellow citizens, to make this program work as Congress intended before it becomes necessary for the Congress to do battle with you once again.

The CHAIRMAN. Senator Dole.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS—Resumed

Senator DOLE. Well, I appreciate, Mr. Secretary, your being here and I know you are happy to visit this Senate Agriculture Committee from time to time—every 6 or 8 years probably would be often enough.

Secretary BUTZ. Not so. I enjoy it.

Senator DOLE. And I hope that the charges made by my friend from South Dakota and rebuttal by the Secretary will terminate that part of the hearing.

I'm concerned about food stamps, too, and I also read the act and I think you are probably within the law, obviously, if I read it correctly. I think everyone on this committee expressed concern about a study of food stamp operations, not suggesting that there were wholesale abuses but suggesting there might be ways to tighten it up to make more people eligible and to tighten up the administration. And we directed the Secretary to have that study completed by June 30. But it occurs to me that if we wait until June 30, there may be some bill passed or a change made. Is there any way you can expedite that study?

Secretary BUTZ. Yes, sir, Senator. I told the President just last week we are going to have our study completed and our recommendations ready in our Department by April 1. I came back and told my staff that. They were a little shocked but we're going to have it ready by April 1.

Senator DOLE. I think that would be very helpful. I know the Nutrition Committee spends a great deal of time in this—maybe not this particular area but I think it might be helpful to this committee—the Legislative Committee to have the information. I've heard Senator Humphrey say on television we need more oversight in the Congress and I share that view and we can maybe help some people who aren't receiving the benefits and remove some who shouldn't be.

I think just in summary we've had, as the chairman indicated, very extensive hearings and some very good witnesses for the most part, all expressing concern about agriculture, expressing concern about consumers and expressing concern about all the problems we have. I was pleased, Mr. Secretary— you indicated at least a real hope to scuttle the monitoring system and the prior approval on sales of wheat and soybeans and, I guess, soybean meal?

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Secretary BUTZ. Yes, sir.

Senator DOLE. And that is, you think rather hopeful?

Secretary BUTZ. Yes, sir; I do. I think the time is here to do it.

Senator DOLE. We've had, of course, as you might suspect—and you covered in your statement, testimony on beef imports and dairy imports. I don't know whether you want to elaborate on that but you did indicate that the beef imports are less than the amount that it would take to trigger it under the 1964 act.

Secretary BUTZ. 1966. The President indicated last fall in a Sioux City speech that he would not permit a flood of imports in this country to interfere seriously with our own domestic pricing and he has since taken action to implement that statement.

Senator DOLE. Someone just handed me a clipping here which I am certain you are going to be asked to comment on later.

Secretary BUTZ. Let me read it. I'll read it while you're talking.

[Laughter.]

Senator DOLE. I also, while you are doing that, Mr. Secretary—because I think you are very competent and can do two things at once——

[Laughter.]

[The above-referred-to article follows:]

[Reprint from Des Moines Register, Feb. 20, 1975]

"A FEW FARMERS GOING BROKE IS HEALTHY," SAYS USDA OFFICIAL

(By George Anthan and James Risser)

WASHINGTON, D.C.—A high official of the U.S. Department of Agriculture (USDA) has told farmers that "a few of us (farmers) going broke each year is one of the most healthy things there is."

Kenneth Frick, administrator of the USDA's Agricultural Stabilization and Conservation Service, made the comment while addressing the department's Grain Advisory Committee at a meeting here Friday.

Frick's remarks were reported later by an official of the National Farmers Union who was at the meeting. Frick was reached by telephone Wednesday while attending a USDA meeting at Sacramento, Calif., and he confirmed the statement.

The stabilization service chief said he was emphasizing that under this country's free market and free enterprise system, inefficient producers tend to go out of business, leaving those who are more productive.

"It tends to sharpen those of us who remain," Frick, a former California cotton producer, said Wednesday. "You and I both know that a lot of farmers remain in business. But a few inefficient ones go out of business, and the consumer is the main beneficiary from a sharp, efficient system."

Frick's comments have been distributed by the National Farmers Union office here to the organization's state presidents.

Cy Carpenter, president of the Minnesota Farmers Union, told the Senate Agriculture Committee during a hearing Wednesday that "if we understand the (USDA's) theory, it is supposed to work like this: The bankruptcy of a few is supposed to send signals back to others of what the market wants. The smart operators will react, readjust and presumably prosper."

Carpenter continued, "The fault of this philosophy is that it has nothing to offer when there is bankruptcy for the many, not just for the few. It has nothing to stem the tide when there is an exodus out of dairying, livestock or hogs."

Many farmers are especially sensitive over the Ford administration's strong opposition to efforts by some farm-state members of Congress to increase government support prices on cotton and grains.

Also, cattle producers have been in an economic depression for more than a year, and some have been forced out of business.

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OPPOSE SUPPORTS

Two cattle industry organizations told the Senate Agriculture Committee Wednesday they oppose any form of government price supports on beef, despite the fact that the industry is in "critical financial straits."

However, a California cattleman and the Minnesota Farmers Union asked for government aid.

Meanwhile, the USDA reported that farmers' net incomes, which soared to a record $32.3 billion in 1973, plunged neary 16 per cent last year and are expected to drop at least another 12 per cent this year.

After 1973's record farm income—nearly double that of 1972—livestock prices toppled and harvests were shortened by bad weather. As a result, net farm income in 1974 dropped to $27.2 billion but still was the second largest on record the department said.

IOWA OUTLOOK

The USDA did not reveal individual state statistics on net farm income last year. However, Iowa State University agricultural economist Dr. Gene Futrell at Ames said his research indicates that Iowa net farm income "probably parallels the 16-per-cent drop that took place nationally."

Prices of corn, wheat and soybeans have been dropping recently, and the USDA's Outlook and Situation Board reported on that demand for U.S. agricultural products is softening and producers, particularly grain farmers, may be caught in an "uncomfortable squeeze."

The USDA's Economists said the price drops are coming at a time when farmers' costs are "soaring."

Stabilization service chief Frick said both he and Agriculture Secretary Earl Butz believe the marketplace, rather than the government, should determine the type of commodities produced, the level of production and the efficiency of producers.

He said that as cotton surpluses have developed and prices have dropped, many cotton producers have shifted to other crops, mainly soybeans.

Frick said that while Iowa farmers concentrate on corn, soybeans and livestock, "they can raise wheat as an option."

CHEAP GRAIN

At the Senate hearing, Gordon Van Vleck, president of the American National Cattlemen's Association, said past government intervention, including meat-price freezes and "cheap grain" policies, have been at least partly responsible for the beef industry's current problems.

"We are opposed to proposed target price and subsidy concepts for the beef cattle industry," he told the Agriculture Committee. Such programs would impose higher costs on taxpayers and could lead to "government production controls and higher direct prices to consumers," he said.

Van Vleck said his organization also opposes establishment of government-controlled grain reserves, for fear they would lead to depressed grain prices and another cycle of over-production of cattle.

DISASTROUS POSITION

Don F. Magdanz, executive vice-president of the National Livestock Feeders Association, told the committee that "the cattle industry is still in a disastrous economic position with slaughter continuing at high levels, beef production at an unprecedented rate, and no substantial evidence of relief from these conditions foreseeable in the immediate future."

But he said "cattle feeders and producers have not been camping on the doorstep of Congress demanding price supports and price assistance. It is contrary to our policy."

Such supports had been urged upon the committee earlier by the Midcontinent Farmers Association, which said many cow-calf producers are near bankruptcy.

Carpenter, head of the Minnesota Farmers Union, charged that the cattlemen's organizations "must bear part of the blame for the roller-coaster conditions that have prevailed in recent years" because of their opposition to government price-stability measures.

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He urged "a system of price floors under livestock prices," saying "something better is needed than to put the livestock farmers through the economic wringer every two or three years."

Lawrence J. Moore, a cattle producer from Stonyford, Calif., said government control over the amount of beef produced each year "is the only salvation for the beef cattle industry."

AMERICAN BEEF

In his testimony, Magdanz urged federal legislation to assure payment of cattle producers by packers, to prevent the situation that led to the recent bankruptcy of American Beef Packers, Inc., of Omaha, Neb.

He suggested prompt payment requirements, packer bonding, an insurance system, and other possible measures to protect producers.

Senator DOLE. There was a story in this week's U.S. News which I know Senator McGovern had over there and it gives both sides of the food stamp picture but it indicates that there are some outer limits to the Food Stamp Program. Maybe we ought to find out what they are and I would ask permission that this article be made a part of the record.

The CHAIRMAN. Without objection it will be inserted in the record.

[The article follows:]

[From the U.S. News & World Report, Feb. 24, 1975]

FOOD-STAMP PROGRAM GOES MIDDLE CLASS

BALTIMORE.—A Government plan set up to serve the very poor is suddenly sprinkling its benefits on people with incomes reaching into lower-middle brackets.

Food stamps go in some cases to families with income of $12,000 and more per year, to help defray food bills.

In the past 10 years, the annual cost of the food-stamp plan to U.S. taxpayers has jumped from 34 million dollars to 4 billion dollars a year.

LENGTHENED LISTS

One out of every 12 Americans is benefiting from the coupons, which are as good as cash at grocery stores. Under the twin pressures of inflation and rising unemployment, the rolls are growing at a rapid pace. By next June, at the current rate of expansion, 22 million people will be receiving food stamps, or 1 out of 10 in this country.

Schoolteachers, policemen, military families and retirees are among those applying for the coupons. Well-dressed shoppers, driving late-model cars, are sometimes seen paying for their groceries with stamps.

President Ford recently offered a proposal to trim 650 million dollars a year from the subsidy by increasing the purchase price of stamps. This move was turned back in early February by overwhelming majorities in both the Senate and House of Representatives.

Here in Baltimore, you can see how the program works, and get an idea of how fast it might expand.

Nearly 20 per cent of the people are receiving food stamps—well over twice the national average of 8 per cent.

Says Edward L. Vogelman, Jr., chief of Baltimore's food-stamp operation:

"There is no question that the use of food stamps is expanding rapidly as unemployment rises. The signs are that a bigger expansion is on the way, and we're trying to get ready for it."

Of the 870,000 people who live within the city limits, 173,000 have applied for stamps. To do so, they must go in person to one of the 13 offices in Baltimore that dispense this aid.

There, officials determine the family's "net income" for food-stamp purposes. To arrive at this figure, several items are deducted from gross income—Federal and State income taxes, medical costs over $10 a month, child-care expenses for working mothers. In addition, the family is allowed to deduct amounts paid for housing and utilities in excess of 30 per cent of gross income.

Under the spur of inflation, all these costs are rising fast, making more and more families eligible for food stamps—even some who have what has been

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considered a middle-class income. Families with several children may qualify with gross income of $12,000 or more. However, families with assets of more than $1,500 are not eligible to participate. Assets considered in determining eligibility include cash in the bank, stocks, bonds and some real estate—but not a family's home, TV set or car.

Some examples of eligibility, based on "net income": A single person can have no more than $194 a month. For a family of four, the ceiling is $513, and for a family of eight it is $866 a month.

The lower the "net income," the less a family must pay for its allotment. Take these typical cases in Baltimore:

A family of four is getting a monthly welfare check of $182 and has additional income of $99 a month from part-time work. Rent and utilities come to $135, so that $50.70 a month—the amount over 30 per cent of family income—is deducted. This leaves a "net income" of $23.30. On that basis, the family can buy $154 worth of food stamps each month, for a cash outlay of $65.

A retired woman lives alone on a pension of $93.50 a month. Her shelter costs $48.50, so that $20.53 is deducted and her "net income" is computed at $72.97. She is eligible for $46 of food stamps for $12.

A family of seven has a regular income of $505.59, plus a monthly welfare check of $115.52. Rent and utilities come to $217.08, so the allowable deduction is $49.60. Federal and State taxes of $62.84 are also deducted, leaving "net income" of $508.67. The family can buy $238 in food stamps for $143.

An unemployed man and his wife are living on his unemployment compensation of $221. They have relatively high shelter costs of $164, so deduct $98.07. With a net income of $123.63, they get $84 in stamps for $29.

CHANGING ATTITUDES

Across the country, there is less stigma attached to using the stamps than once was the case. Says a schoolteacher: "I'm working hard, paying taxes, but inflation has just pushed the cost of living beyond my income—under these conditions, I see nothing wrong with signing up."

Senator DOLE. Mr. Secretary, I have a series of questions on the effect of export controls because I don't know what they may be called but they are export controls and I think I'll submit those to your staff and ask that they be made a part of the record.

[The following questions were submitted by Senator Dole to Secretary Butz and his answers thereto:]

Question. A Washington Star-News story yesterday states that some members of this Committee may believe that the Administration's announced intention to increase P.L. 480 assistance may be "a deliberately meaningless gesture intended to circumvent restrictions placed on such aid by Congress." Would you care to comment?

Answer. The limitation referred to is the requirement in section 55 of the Foreign Assistance Act of 1974 that not more than 30 percent of Title I concessional food assistance be allocated in FY 1975 to nations not on the United Nations' list of 32 countries "Most Seriously Affected" by the current worldwide economic situation. A problem in administering that limitation is that it applies to Fiscal Year 1974/75, but was added to the Foreign Assistance legislation only in mid-December 1974, at a time when we were in the midst of revising the fiscal year projections, and when a substantial part of program planning had already been undertaken. However, the announced intention to increase P.L. 480 assistance is not meaningless. We are completing a program plan to allocate food resources according to the requirements of the Act.

Question. What is the effect of export controls on farmer prices in the United States?

Answer. Export controls have a depressing effect upon farmer prices in the United States and upon total agricultural production as well. Why would this happen? Exports account for a significant portion of U.S. crop utilization, over two-thirds in the case of wheat, nearly one-half for soybeans. If these exports were to be artificially cut back, domestic supplies would build up and, relative to normal domestic demand, would generate a downward pressure on U.S. farmer prices. Because of this cause-and-effect relationship, some have urged that we impose export controls in order to achieve lower consumer prices in the United

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States. In addition to the fact that such action would be illegal (in the absence of scarcity) and disastrous for our international relations, it would also be bad economics if we want to boost our food production. Prices are the signalling system which make it possible for the farmer to plan what his production levels should be for the next crop year. Any action that would artificially depress the price of a product would be sending the wrong signals to our farmers, providing them with a disincentive to produce just at the time when greater production is needed.

Question. Since there is less wheat, for example, made available for the world market under such controls, doesn't this tend to raise the price all over the world . . . giving a bonanza to our competition for these markets . . . and resulting in higher prices for low income consumers worldwide?

Answer. The answer is *yes* on all points. In wheat, for example, the United States is the largest supplier of wheat to the world market—with over two-thirds of our production going into export. If we were to cut off all or part of our export flow, the world demand for wheat relative to the newly-restricted supply would immediately push up the price for this product on the world market. Who would benefit from this situation?—our competitors, such as Canada and Australia, who would suddenly find increased access to markets we had worked long and hard to develop and who would receive premium prices for their wheat. Who would suffer?—low income consumers world-wide, who rely on wheat imports for their very existence and who would now be forced to pay much higher prices for this essential foodstuff, if they could afford to buy it at all. It should also be noted that such a high-price situation would lead inefficient wheat producers to increase their wheat production, thus wasting productive resources that might better be used in producing other commodities.

Question. What are the long range implications of such export controls in (1) The growth of the bureaucracy to administer such a program? (2) The two-price system it would set up with low prices at home and high prices worldwide?

Answer. One has to figure that the administration of such a program would require a new bureaucratic group or agency. Most programs discussed involve some form of export licensing—with all of the forms and paperwork inherent in such a program. Others would involve export fees, which would have to be collected and accounted for. We've even heard proposals that would tie the amount of grain eligible for export to the prices originally paid to the farmer—a program which would require that the price of each grain purchase be followed through the distribution channels from the point of sale on the farm to the port. Even the most simple programs, of course, would require new government workers to administer them, and, if the program were to be run efficiently, it would have to be an on-going operation—not "on this month and off the next."

Another result of an on-going export control system would be to create some sort of a two-price system with higher prices abroad than at home. We've received many recommendations in recent months to consider setting up just such a two-price system. Many view this as a panacea, but it's not. Let's look at the implications. Internationally, we suffer decreased export sales and lose markets to our competitors; in addition, the poorest countries who are already hard-hit by increased oil prices would now have to pay artificially exorbitant prices for their basic imports. Domestically, there would be several implications. First, there would be the depressing effect that government tampering with our free market structure would have on several commodities. More important, we should discard the mistaken assumption that farmers would continue to produce at current levels if the domestic prices were artificially held down. They would not. If farmers can't get the best price for their products they won't produce as much. What happens then? Export sales continue to fall, and the lower U.S. production keeps continuing pressure on domestic prices to increase.

Question. Wouldn't this create massive dissatisfaction between our customer countries in the allocation of limited exports resulting from these controls?

Answer. Right again, and we have an excellent example of the effects that U.S. export controls can have upon our traditional buyers. In the summer of 1973, against the advice of the Department of Agriculture, export controls were established for certain oilseeds and oilseed products (notably soybeans and cottonseed). New export contracts were not allowed, and the amount of certain of these commodities eligible for export under existing contracts was cut by 40 to 50 percent. The effect of this action upon our relationships with our traditional customers was immediate and profound. Countries such as Japan, which had developed a long trade history with the U.S. for these products and which

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needed them for human as well as animal feed, resented the fact that they were not given special consideration over newer or more speculative customers. Europe, which had been asked to cut back the inefficient parts of its agricultural sector and rely upon U.S. supplies, began to question our dependability. Other countries which did not have valid contracts in force at the time the controls were enacted had to scramble for the remaining supplies and pay inflated prices. These countries did not accept their hardships meekly. Japan responded by commiting about $1 billion to grow soybeans in Brazil, and Germany is now doing the same. The European Community placed soybeans under its Common Agricultural Policy and committed itself to increased domestic oilseed production. Normal U.S. customers such as Spain, which happened to have below-normal contract levels in June, 1973, had to look elsewhere and pay exorbitant prices for products such as soybean meal—actions which disrupted their domestic markets for months. We can see, then, that export controls lead to dissatisfied customers, damage our long-term export interests, and, sometimes cause economic retaliation. Controls on a product such as wheat would also generate animosity among our commercial and concessional customers, each of whom would claim a special interest in access to the restricted U.S. supplies.

Question. What are the implications of these export controls on the value of the dollar?

Answer. Export controls on agricultural products would seriously undermine the value of the dollar. In fiscal year 1974 agriculture's net contribution (exports minus imports) to the U.S. balance of payments was a positive $11.3 billion—a figure that went far toward offsetting our massive trade deficit in industrial products. Export controls would mean smaller agricultural exports immediately and even more so in the long-run as traditional buyers seek new suppliers and as the disincentives to domestic production inherent in any export control system take hold. Since exchange rates are now floating, this less favorable balance of payments situation would reduce the international value of the dollar. As a result, our imports, including oil, would become more expensive.

Question. In a time of shortage, how can we avoid export controls or monitoring without at least a minimum reserve system?

Answer. This current year has been a major test for the open market system, and whether it can work in a time of shortage. Despite the fact that we began the year with feedgrain stocks at their lowest level in years, and then experienced a major setback in our corn harvest, we have been able to avoid export controls entirely and to limit our activities largely to monitoring. Although we instituted a monitoring system in order to discharge our duties under the Export Administration Act, this has been largely a matter of improving our ability to obtain accurate and current information, and not, as is sometimes charged, an indirect procedure for curtailing and allocating exports.

All this is not to say we don't need to rebuild reserves as soon as supply conditions permit—we do need reserves, and I would be among the first to say so. But we need to develop a minimum reserve system which permits us to stay away from Government-held stocks and their unfortunate effects for our food production system. A first step toward build-up of needed reserves will be all-out production on the part of the U.S. and other major producers. This is our policy for 1975, and, if the weather cooperates, our record levels of grain product on should meet our domestic and foreign needs while leaving a reserve cushion in the distribution pipeline, from farmer-held stocks to dockside elevators. In addition there needs to be an increased effort on the part of major importing countries to share in the stock-holding function. If these countries cooperate in this effort for the next few years and we are able to increase the size of stocks throughout the world, then we need not fear that a bad crop year or short supply situation will necessitate either monitoring or export controls.

My opposition to a return to government-held stocks has frequently been misinterpreted as opposition to a minimum reserve system. This is not the case at all. I have consistently supported the kind of international system of national grain reserves suggested above, and I believe that most farmers would support a sensible reserves policy of this kind. Under such a system, the U.S. should be able to carry its share without any need for a return to government holding of stocks. This would avoid a situation where government-held stocks depress farm prices, discourage farmers from going all-out to produce, and place a heavy tax burden on the American citizen. And it would mean that in a time of shortage the reserves would be out there in farm hands to be released gradually into the market in response to rising prices, rather than in government hands where political pressures would likely lead to premature release as happened in 1972.

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Senator DOLE. Now, Mr. Secretary, it's been suggested—I don't want to interrupt your reading of that but——

Secretary BUTZ. I will quit. I read it.

Senator DOLE. Would you rather comment on it with a friendly fellow or wait until Hubert takes over? [Laughter.]

Secretary BUTZ. In spite of what you may think, Hubert and I are longtime friends and I respect him very, very much. I just can't talk as fast as he can. [Laughter.]

Senator HUMPHREY. May I say, Earl, you're making a good run at it today. [Laughter.]

Senator DOLE. I'll wait, then, for Senator Humphrey, because it's his Xerox and——

Senator CLARK. The Xerox is mine. It's from today's Des Moines Register.*

Senator DOLE. It has been suggested that Public Law 480 shouldn't be used for any foreign policy or political purpose. It all ought to be based on strict humanitarian and hunger needs—that we shouldn't concern ourselves with export markets and economic development. Now that's maybe an overstatement of the case, but it was raised seriously by well-intentioned witnesses before this committee.

I happen to believe that the preamble, which is in the act in 1954 and since amended in 1966 and amended further by Senator Humphrey to broaden the scope of Public Law 480 makes a great deal of sense.

But I think it's something we're going to have to address ourselves to and I don't know whether you want to comment on that or not but the point being that we determine food aid to Vietnam or Cambodia or Laos, not because the need was greater or perhaps as great as in some other country but because they were an ally and it was made on a political basis. Now, is there any substance to that?

Secretary BUTZ. Well, it's one of those grey zones you never can define clearly. I know that people have said that aid to Vietnam, for example, is political aid and yet the rice paddies have been destroyed, the farmers have been driven from the area, there is a food problem there. The fact that they are at war doesn't alleviate the food problem. The fact that they are our allies doesn't change the nature of the food problem. The fact that we made a very substantial investment in dollars and blood doesn't alleviate the current food situation. It is critical there. And I think we shouldn't shut off aid to them simply because they happen to have been in a war situation as in contrast to Bangladesh that wasn't.

Senator DOLE. All right, and it's been suggested—in fact I read a story last night in the Evening Star—that somehow the increase in food aid—the commitment from $3.3 to $5.5 million was solely an effort to get around the 70–30 amendment in the Foreign Assistance Act.

Senator HUMPHREY. That's correct.

Senator DOLE. Is that an accurate appraisal?

Secretary BUTZ. No, sir; I don't think so. As a matter of fact, some of those people who made that appraisal were at the Rome Food Conference pressing for that level.

Senator DOLE. I think it was a conclusion drawn based on statements made in testimony. No member of this committee made that

*See p. 1080.

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charge but I think they raised the question very properly and then I raised the question with reference to how the decisions are made. I watched a very interesting TV program last weekend and it showed a group of people seated around a table making a decision of so much to country A, B, C or D. If it's possible to have a portion of that information—if it's public or if it should be public—it might be helpful to us in our understanding of how decisions are made.

Secretary Butz. Well, our people do in the Department. This is the interagency Public Law 480 committee and it's long standing—it's been operating now for 20 years——

Senator Dole. Right.

Secretary Butz [continuing]. With some changes in it. You are always distributing a scarce supply of foreign aid assistance among various claimants for it and they always come before this committee with an interagency thing and it per force can't be public in the preliminary steps because these dealings are—these country deals are always negotiated.

Senator Dole. Well, I think somebody may explore that further.

The Chairman. Senator Humphrey.

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA—Resumed

Senator Humphrey. Thank you, very much, Mr. Chairman.

Let me, for a moment, clarify a couple of points, which I know to be the facts.

On the instance of increasing food aid from 3.3 to 5.5 million tons, I, Senator Clark, Senator Hatfield and others were in discussion with the Secretary of State about this matter. There was a story that appeared in the New York Times to the effect that the Secretary of State was asking me—as the author of the amendment in the Foreign Assistance Act in which we limited food aid for other than humanitarian purposes to not more than 30 percent of Title I of Concessional Food Aid Sales to modify that language. It was alleged that the Secretary was attempting to get me to interpret that language loosely and to include Vietnam under what we called the most seriously affected nationals category as prescribed by the United Nations. Now, first of all, that is not true. The Secretary was hoping that we might be able to interpret the amendment to include both title II and title I, which would have made it possible for a larger amount of the total amount of food aid to be made available for other than just humanitarian purposes, as defined by the United Nations.

My response—and I'm sure that Senator Clark recalls that I visited with him about it because he also was instrumental in this matter as was Senator Hatfield and Senator McGovern was, Mr. Secretary, there is no way that you and I can interpret the law. Now you can argue whether we did the right thing, but it is the law. I recognize that we put that amendment into the Foreign Assistance Act without too much study.

But, nevertheless, it's there and I'm not going to be a part of trying to modify the law by some kind of personal interpretation as one of 100 Senators. I don't have that authority, and I said to the Secretary that the only way that you can get more food aid for the countries

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that are not under the United Nations definition is to increase the total amount of food aid. And I said, quite honestly, now that you have in the reports as to export sales—and particularly when we get the reports of export cancellations by the Chinese and the Soviet Union—it appears to me that you have enough food so that you can raise that amount. And I pressed, relentlessly, for the higher figure. I didn't talk to Secretary Butz about this because this was essentially at a foreign assistance level under the Foreign Assistance Act.

Secretary BUTZ. But may I say, though, all during these discussiosn and negotiations we had made it clear from agriculture's point of view, from the supply point of view that we could meet the commitment.

Senator HUMPHREY. Yes; I undeistood that. In fact I met with Assistant Secretary Enders of the State Department, and I said that since the available supplies are there, it's only a matter of the budget. It isn't a matter of whether it's going to have an inflationary impact on the U.S. citizenry. It isn't a matter of whether we have the supply. It's a matter of whether you are willing to bite the bullet on the budget. I spoke to Secretary Kissinger, and I said that if you want that much food aid for Pakistan, Korea, South Vietnam and other political cases, there's only one way to get it. And that is to quit fooling around with that level at $1.1 billion, $1.2 billion or $1.3 billion. You have to get the level up to a minimum of $1.4 billion plus shipping charges. The final figure is $1.47 billion in food plus shipping for a $1.6 billion total.

Secretary BUTZ. $1.6 billion.

Senator HUMPHREY. That's what happened, and we don't need to argue that any more. I've read all kinds of newspaper stories about it, and, quite frankly, I'm pleased that we got the figure increased because it helped both sides. And I do not believe that food aid ought to be entirely kept to just emergencies. I think there is a legitimate role for food aid in what we call other purposes than just simply emergency humanitarian assistance. I've always felt that way. We've developed markets with it, Mr. Chairman, as you and I know.

I come from a part of the country in which soybean production is important, and without that Public Law 480 program we never would have gotten our soybean program going. The same thing is true of certain varieties of wheat. The same thing is true of corn. We did a lot with this program, and obviously there may be a time when we'll want to go into animal products. I hope that we do and go on other products.

Mr. Secretary, let me just go back to what Senator McGovern had said. First of all, I want to say this. I know that there may be those in the audience who feel that Senator McGovern's statement was rough and tough, but I think it's the kind of candor that commends itself on its own merit. We can disagree about this, and the Secretary obviously does. But there is deep concern over the Food Stamp Program. I want to say this to you, Mr. Secretary: I know that you, undoubtedly, feel that an awful lot of your budget is going to what you consider to be welfare. In fact, you've said 70 percent of the Department of Agriculture budget is for welfare if food aid is included.

Members of this committee have indicated from time to time, that the public gets a distorted picture of what the Department of Agriculture spends because much of its budget might, from the point of view of function, very well be included under the welfare program of

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the Department of Health, Education, and Welfare, But that's a decision on the part of Congress, and I don't want the Secretary to be apologizing for the fact or even concerned about the fact that his budget includes 60 percent or 70 percent for welfare programs. That's a decision that we've made in Congress, and it's your job to administer it. You can express to us, as you have, that it might be better if those programs were put into another department. I don't know if you have personally made that expression.

Secretary BUTZ. Yes, I did, before you came in.

Senator HUMPHREY. But there have been those expressions made, and I think that it is fair to say to the members of this committee that one of the reasons we are able to get a farm bill through Congress is because we include in that farm bill programs that are not just related directly to the production from animals or the land. We include something here for urban Congressman as well as those of us that represent predominently agricultural areas, and I don't think there's any conflict there. Urban Congressmen have to be concerned about rural problems, and we from the more rural areas have to be concerned about urban problems.

I believe that it's important that we keep in mind what the policy of the Congress is. Now, when we make mistakes, and obviously we do, that's why we have changes here in the Congress. People don't agree with us a lot of times and we come in and go out. Let me give you an example of what's happening in the Food Stamp Program. In 1971, there were 14,900,000 people on food stamps and commodities.

Now commodities have more or less disappeared.

In the fall of 1974 there were 15 million people on food stamps and very few on commodities because, as the Secretary has properly noted, the commodity program has largely been phased out. In 1975, there were 17,100,000 people on food stamps. Now, why the increase of 2 million? I'll tell you, because there are 7½ million people full-time unemployed—unemployed—of which 5.5 million are registered for unemployment compensation, with a projected cost of over $18 billion this year for unemployment compensation alone. There also are 3,800,000 more workers over and above the 7½ million that are unemployed—3,800,000 according to Bureau of Labor statistics that are on less than half-time employment.

In other words, part-time employment, which means they can't earn a good living, and there are 1,300,000 that have dropped off the statistical roles of the Employment Service. These people have given up the hope of looking for a job. Now, these are facts that have come from Dr. Shiskkin that appeared before the Joint Economic Committee less than 2 weeks ago when a new unemployment figure of 8.2 percent was announced. Now, the fact is that unemployment today is 10.9, almost 11 percent, and that's what putting up the number of food stamp recipients. That's what putting up the cost and more people need to be on it.

It is true that inflation has increased the cost of the food stamp budget from $2.2 billion about 2 years ago to $4 billion this year, but it's increased everybody else's budget. It isn't hard to understand why food stamp budgets are going up. Look what's happened to the grocery bills of the rest of the American people. So, I don't think we ought to get ourselves up in a dither about the fact that the Food Stamp Program has gone up.

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What's more important to me, and I'll conclude on this, Mr. Chairman, is what happens to farm income. Now, without any further debate about this food stamp let's get on to farm income. Mr. Secretary, I understand 1973 farm income was $32 billion net, right?

Secretary BUTZ. Yes.

Senator HUMPHREY. And 1974 was $27 billion?

Secretary BUTZ. Yes, sir.

Senator HUMPHREY. Estimated 1975, $20 billion?

Secretary BUTZ. Yes, sir, with a question mark.

Senator HUMPHREY. Around $20 billion. Now, Mr. Allan Greenspan, Chairman of the Council of Economic Advisers, appeared before the Joint Economic Committee and said that one of the more encouraging signs of the times was the drop in farm prices. Well, now, I know you would say "Mr. Humphrey, you obviously had an answer to that," but I tell you that that was such a shock to me that I gulped and he got into a new sentence before I could give an answer, which is quick gulping. But it is just incredible that anybody that is making recommendations on economic policy for the Government would be able to make a statement like that.

The CHAIRMAN. I'm sorry, Senator, I'm afraid your time has expired.

Senator HUMPHREY. George, how did you get so much time? [Laughter.]

Senator HUMPHREY. I'll come back because I want to get into target prices because I think there are basic differences here, Mr. Chairman.

The CHAIRMAN. Do you want to comment, Mr. Secretary?

Secretary BUTZ. No, I can't out-talk Senator Humphrey.

The CHAIRMAN. Senator Young.

Senator CLARK. Mr. Chairman, I know the Fillibuster Rule is being submitted on the Floor and I have to go over there. I have 10 questions; could I submit those for the Secretary?

The CHAIRMAN. Certainly, and as long as any Senator wants to question the Secretary, he will be available—I presume you will be available the rest of the day, if it's necessary, wouldn't you, Mr. Secretary?

Secretary BUTZ. I don't have a thing scheduled for this afternoon.

The CHAIRMAN. You can submit your questions and we'll get to you in due course, Senator Clark.

And any other Senator that desires to submit questions, for the record, will please prepare and deliver them to the staff and, Mr. Secretary, will you respond to them and put them in the record?

Secretary BUTZ. Yes, sir.

The CHAIRMAN. Senator Young.

STATEMENT OF HON. MILTON R. YOUNG, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA—Resumed

Senator YOUNG. I apparently don't agree with all members of the committee on these food stamps.

I believe the regulations are too liberal and there are too many abuses. I think there's a reason that this committee took action the other day in passing a resolution which asked USDA to make an investigation.

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I understand 53 percent of the people of Puerto Rico are now on food stamps and as many as 75 percent are eligible; is that right?

Secretary BUTZ. Yes, I think it's above 53 percent, but the Food Stamp Program has only been operating a short while; we were on direct food distribution in Puerto Rico, and by direction the Congress changed it to food stamps. It's 53 percent and rising.

Senator YOUNG. The Russian wheat sale is the best thing that has ever happened to the wheat producers. At that time, we had a carryover of about 900 million bushels of wheat and the average farm price was only $1.41 a bushel. We got rid of the wheat surplus and improved the price to farmers. The Russians paid the exact same price and were given the same terms as every other country; isn't that right?

Secretary BUTZ. Yes, sir.

Senator YOUNG. As a result of that sale we are getting a good price for our wheat now. North Dakota is the No. 1 spring wheat producing State and we also produce about 90 percent of the durum wheat grain in the country; as a result of that sale spring wheat went up to $5.50 to $6 a bushel and durum up to $9 a bushel, but unfortunately grain prices have dropped in recent months. Spring wheat is about $4 or a little less and durum is about $5 to $6.

Our State university, a land-grant college, estimates the cost of producing wheat in North Dakota has increased to about $3.15 a bushel in the western part of the State and a little over $4 in the eastern part of the State. Even the Farm Bureau is advocating a cutback of 20 percent in acreage, unless there was some improvement in prices and price-support loans.

It is highly important that we increase the target-price level, and I hope that you agree and that you are somewhat flexible on this.

Secretary BUTZ. I think my main emphasis is that we keep the market prices, and even figures you cite are well above the target-price level.

Senator YOUNG. Increasing the target price itself wouldn't influence the market; you might have to make some payments to the farmers, where wheat had to be sold for less than the target price. Wouldn't that be right?

Secretary BUTZ. Yes, my point is, but, at the present time, the prices you cite are above your quoted cost of production figures—our job is to keep the market price above this cost of production figure.

Senator YOUNG. If the Department of Agriculture had to spend a little more money in agriculture this year, I don't think it would be too bad. The budget for fiscal year 1976, for just agriculture alone, is a little over a billion dollars and in 1973, it was over $4 billion. This is the only major department of the Government where the cost has gone down, and gone down sharply. Every other department has gone up 200 to 300 percent, and some even up as high as 1,000 percent.

Secretary BUTZ. But, in the meantime, we have shifted farmers' income to the marketplace, which, I think, was an upshift.

Senator YOUNG. I guess the major difference between you and me is I'm a little too scared to go back entirely to a free market. I remember too well those years when I was broke. When just fair price support program may have made things a whole lot better not only for

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farmers but for everyone else. I note even the Farm Bureau in my State now is asking to cut back on the wheat acreage by 20 percent. They wouldn't do that if there was a higher target price. The cost of production has gone up, with fertilizer double what it was, and fuel is about double what it was—farm machinery and everything that goes into the cost of production is way up. So, if the target price was justified at the time we wrote the bill, an increase is certainly justified now and the same for the loan price. I think you agree with some increase.

Secretary BUTZ. I want to keep the market price good—is my goal.

Senator YOUNG. Are you opposed to any increase in target price?

Secretary BUTZ. I just want to be careful we don't get any increases to the point that we again begin accumulating surpluses in Government.

Senator YOUNG. I think Congress will have to give farmers some insurance of a reasonable price for their grain and we will have to tangle on this issue because all of our testimony was that the farm organizations thought that the target price and the loan price should be higher.

One more subject. Cattle. Cattle prices are only about half of what they were a year ago. Now I understand right now that the best of cattle in Australia are selling for around $7 a hundred. If imports were liberalized, our cattle prices wouldn't come back for several years to come. Our people just can't produce at $7 a hundred, and they can't either. They are broke too. In this respect you have done a good job holding down imports and I hope you stick to your guns and hold down these imports.

That's all, Mr. Chairman.

The CHAIRMAN. Senator Huddleston.

Senator HUDDLESTON. Thank you.

I have an urgent appointment in just a few minutes. I'm going to have to forgo my speech, Mr. Secretary, which I know will be a disappointment to you and the chairman and the committee and the audience.

Secretary BUTZ. I'll be glad to have lunch with you. I want to hear it.

Senator HUDDLESTON. Well we all have to make sacrifices at this time. I have a couple of questions to ask now. I'll take advantage of the opportunity to submit questions to you.

Just one more point on the target price matter that Senator Young was discussing. We have been, during the last 2 years at least, at your insistence, your direction, and everybody's recognition of the necessity, in an all-out production program. Isn't that correct?

Secretary BUTZ. Yes, sir.

Senator HUDDLESTON. Is that still the policy of the Agriculture Department?

Secretary BUTZ. Yes, sir.

Senator HUDDLESTON. And that's based on a projected demand that would utilize all the production that we can achieve in this country, I assume?

Secretary BUTZ. Utilize, plus some accumulation of stocks. Our carryout has been too low—the basic grains the last year or two.

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Senator HUDDLESTON. Now it seems to me that, if those projections are wrong and that the demand is less than expected, or production is greater, then we'll have a situation where production has been artificially stimulated.

Wouldn't that be correct?

Secretary BUTZ. Well, it's been stimulated by the price. The chief stimulant for production has been the price at the time they made their planning intentions.

Senator HUDDLESTON. Right. But, if we continue to indicate to farmers, through our official agencies, that this production is going to be handled all right in the market, and then it's not handled on the market, the farmers may be left in a bind. The farmers, the producers who made this all-out effort may be subject to tremendous losses and maybe bankruptcy through a stimulation of this production that could be termed "artificial"—just as much as the target prices are artificial.

Secretary BUTZ. Well, Senator, you always run that risk. But we are in a situation, as has been pointed out repeatedly. And Senator McGovern and Senator Humphrey, I think, have done quite well in pointing this out, where our residual stocks are too low for comfort, they are too low for safety.

We came out last week, for example, with a carryout of about 250 million bushels of wheat, which is absolutely minimum to keep our pipelines filled. I would not be uncomfortable with a carryout of 350 million bushels for safety.

We are going to come out of this corn market here with an estimated carryout of about 300 billion bushels of corn, which is about a 6 weeks' supply. And, if we have another dry year this year, it would be disastrous if we were holding back on production right now.

Senator HUDDLESTON. Then the point is the target price might be increased slightly, just to reflect a little more of the actual production costs of the farmer without necessarily going to increase the production. We are already urging them to produce everything they can. And under the existing low target prices they are without that minor assurance that he won't go totally broke.

I think that the testimony we've had before the committee so far would indicate that these target prices are staying below the market price, and there shouldn't be any great danger of the Government having to move in and buy tremendous amounts of these commodities.

As a matter of fact, do you have any information on how much the Government has purchased in 1974 or any projections as to what they might purchase in 1975 at various existing and proposed support or target price levels?

Secretary BUTZ. I don't think we have any projections on purchases. We've got projections on various levels of impact on price, but we don't have any projections on purchases.

Senator HUDDLESTON. Well, I think the whole target price concept, and, if I might get just a little provincial, the tobacco-producing States are somewhat concerned with the support price of tobacco which stays considerably under the market price and considerably under cost need to be reviewed. It seems to me that you can bring the level up and still be under the market price. And, you haven't

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done anything much except give a little more insurance to the fellow who has to go out and borrow the money to put in his crop.

This is a concept that doesn't seem to be too far wrong to me.

Now the other subject that I want to get into briefly is: What do you anticipate in the farm retail spread for next year, and the prices of food products?

Secretary BUTZ. I think it may continue to widen some, unfortunately. This is one of the very unfortunate things about the current price of food. As I said a while ago, of the 14 percent of food prices last year, 80 percent was after it left the farm. Now this doesn't necessarily mean exorbitant profits. It's increased costs, increased labor; in fact, slowing our trucks down to 55 miles an hour—has contributed to this. The restrictive practices we had in labor-management contributed to this. Government contributes to it. A percentage of our trucks today are returning empty because of the prohibition of the backhaul, which is a regulation of the Interstate Commerce Commission. I think we need to examine all these things.

The fact that this morning in Senator Clark's home State of Iowa, 100 refrigerated trucks left Sioux City with beef halves hanging in them, headed for Philadelphia, New York, and Boston, with half the space in that truck air. And a truck driver took half a truck of air halfway cross the United States because of some silly rules, you break the meat cartons down in New York, like Grandad did, except that you have to use a powersaw to do it. And, having said that, Pat McGraw of the Butchers Union will call for my resignation again. But I'm going to keep saying it until we break this kind of thing, because it's one of the reasons we pay so much for food.

Instead of cutting that carcass down at Sioux City, boxing it, having a truck full going across the country—I could multiply those illustrations by a hundred if we had time to do that—and I think we've got to get that stuff on top of the table. The fact that in the big cities today—the supermarkets have to hire enough checkout clerks to take care of the rush period from 3 to 7 in the afternoon. And they have to hire enough stockboys to take care of their job in the forenoon. But you can't move the stockboy in the afternoon. He's got nothing to do at the checkout counter. They can't move the checkout clerks in the afternoon to the stock position. You've got to hire enough of both of them. Now I'm glad they're well paid. But, by George, I'd like to break these rules where they can't work. And I think this is what is adding to the cost of food in America, and more than the farmers is doing. And that's retail spread you're talking about.

Senator HUDDLESTON. Do you anticipate that food prices will increase this year?

Secretary BUTZ. Yes. Food prices are increasing the first quarter. We predicted a few minutes ago that food prices in the first two quarters of this year would probably increase at about the same annual rate as last year, which would be around 3 percent.

They are not increasing that fast because of the slowdown in the economy and various other things. We are going to have a little increase the first half. I think in the second half, if we get good production this year, they may level off—may even decrease a little bit.

Senator HUDDLESTON. The 1973 act included a forestry incentive program. Can you give a brief report on how that is working?

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Secretary BUTZ. Yes. You are authorized up to $25 million for forestry incentives in 1973. This was—I don't recall the exact amount we spent in 1974—but it wasn't up to the $25 million. It got started in cooperation with the State departments of forestry, primarily the State departments of agriculture.

As nearly as I can tell, reasonably well. I'm not that close to it.

Senator HUDDLESTON. There was a rescission message?

Secretary BUTZ. Yes, sir.

Senator HUDDLESTON. How much was the cutback?

Secretary BUTZ. Requested rescission in the forestry incentives program amounted to $25 million in fiscal 1975.

Senator HUDDLESTON. You made some reference to the inaccuracy of your Department's forecasting throughout the time period. What's been done to improve the monitoring and evaluating, not only this country, but around the world?

Secretary BUTZ. Well, I think we improved our forecasting in this country some. The chief reason we were off last year was the unprecedented drought and the bad growing year, which nobody could forecast. Except for that, I think we wouldn't have been off nearly as much.

With respect to monitoring around the world, we are making progress. We have this agreement with the Russians to exchange information with them. It's not working as well as we would like. It's better than it used to be. We had difficulty with our spring wheat team we sent to the U.S.S.R. some while back. They weren't getting out what we wanted them to get out. We threatened to call them home. And the U.S.S.R. people didn't think we meant it. We did call them home. I think it will probably have a desirable effect. We're not getting all we want. It's better than we got before.

Senator HUDDLESTON. What's the potential for utilization of satellites?

Secretary BUTZ. We don't know yet. This is under study. You can take a photograph of the earth every 18 days, I believe it is, with a satellite if you don't have cloud cover. If you put your cloud cover in there, the time interval is much longer than that.

It will yield us some valuable information, just how much I don't think anybody can predict at this time.

The CHAIRMAN. Senator Helms.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator HELMS. Mr. Secretary, I want to say for the record that while I have due respect for the right of Senator McGovern and Senator Humphrey to espouse their philosophy, I nonetheless regret the abrasive treatment to which you were subjected earlier today. This is the first opportunity that I have had to comment, inasmuch as Senators on this committee take their turns on the basis of seniority.

It is not my opinion that you have violated the law with reference to food stamps. I thought you reacted to that suggestion by my colleague in a very forceful and gentlemanly manner. What you said was quite proper.

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The fault I find with your Department, Mr. Secretary, in connection with the Food Stamp Program is that you and your people have not been up here demanding that the Congress arm you with legislative authority to eliminate the deadbeats from the program. As you know, Senator Curtis and I submitted an amendment to the food stamp legislation recently that would have required you and your Department to give us some clear recommendations about how to remove affluent college kids, boys and girls who are living together in so-called "communes," without the benefit of clergy—and, yet, receiving food stamps paid for from the earnings of hard-working, taxpaying Americans.

Let me express the hope, Mr. Secretary, that you and your Department will move rapidly, as you promised earlier today, to eliminate the outrageous abuses of the Food Stamp Program.

Then we can move in the direction of extending more help to the truly needy—the elderly, the sick, the blind—by using funds saved by cutting off the parasites from the Food Stamp Program.

I mentioned the amendment which Senator Curtis and I submitted a few weeks ago when the Food Stamp Program was before the Senate. I noted with interest that the Senators who are most vocal in their criticism of your handling this program led the fight against the Curtis-Helms amendment. I don't know what conclusion one can properly draw from this, but I suppose there is one.

In any case, Mr. Secretary, I very much want to help the truly needy, but I don't favor one dime of the taxpayers' money being devoted to food stamps for people who are able to take care of themselves, but who just choose not to work.

The CHAIRMAN. Senator Clark.

Senator CLARK. Mr. Secretary, I'd like to refer you to the article, which you have a copy of, from this morning's Des Moines Register. I want to ask your comments on it.

> A high official of the United States Department of Agriculture has told farmers that a few farmers are going to go broke each year—is one of the most healthy things there is.
>
> Kenneth Frick, a Director of the USDA made the comment while addressing the Department's Grain Advisory Committee at a meeting here Friday. Frick's remarks were reported later by an official of the National Farmers Union who was at the meeting.
>
> Frick was reached by telephone Wednesday while attending a USDA meeting at Sacramento, California. And he confirmed the statement.

My question is: Do you support or condemn this statement?

Secretary BUTZ. Now I think you've got to look at the record. We don't guarantee instant success for any group in society. Not everybody was cut out to be a farmer. Some of us around this table fled active farming for easier jobs, I guess, to the soft security of the Federal payroll. We probably couldn't have made it back in Iowa or Indiana. And nobody guaranteed us success on that. But let me point out that agriculture is not unique in that respect. Grocery stores are the same way—or pharmacy stores.

Senator HUMPHREY. We're still in business, Earl.

Secretary BUTZ. That's after you left for Federal salary.

Senator HUMPHREY. I haven't put any into the business.

Secretary BUTZ. Now then, this flight of farmers from the land is a very serious thing. We've all been concerned about it. Last year the

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net reduction in numbers of farms in this country was at a record low, as far back as records go. The net reduction was 7,000 as of last year. And Senator Humphrey and I were on a Town Meeting of the Air here some while back. And he raised this question. And I figured he would. And I just have the figures for the 4 years 1965 to 1969, when we averaged a net reduction of 99,000 per year during the years he was Vice President.

I said, "Why didn't you do something about it then?" And Senator Humphrey came back and said, "Oh, you ought to try being Vice President. You can't do anything as Vice President." But, entirely aside from that, this has been reduced to 11,000. And I think that's a significant achievement. Now you can't guarantee everybody instant success in every job because some simply aren't cut out to do it. I wish we could, but you can't do it.

I probably would not have used this language, had I been doing it.

Senator Clark. I take it, your answer, to mean that you do support Mr. Frick's statement.

Secretary Butz. I point to the record and say that, in any sector of the American economy, there is always somebody not making it. This administration has essentially reduced the number not making it in agriculture.

Senator Clark. Let me just make a very brief comment about the food for peace program and then try to get on to the questions.

Now you've stated today, and I think on many other occasions, that America has been very generous with giving food in the past. And I think that's absolutely true. But it is primarily a thing of the past, because 9 years ago in 1966, for example, we gave 18 million tons. The first 3 years of this administration we cut that in half to 9 million tons. In 1973, to 7½ million tons. In 1974, to 3.3 million tons. And this year, to 3 million tons, until we got the increase, which brought us to 5.5 million tons.

So I think it's important that we not just talk about ancient history, but that we look at our recent record. And that recent record—most of the figures you were talking about, it seems to me, come from a much earlier period. And then, if we combine that with the fact that, in this recent period when we've given very little food by comparison with our earlier record, we find that much more of it in this recent period has been used for political purposes than in the past.

We note, for example, that last year over half went just to Southeast Asia and was converted to the war effort.

We also talk about increases to Bangladesh and India, and I congratulate you on that, and we're happy to have it. And, about the Rome Food Conference. But it was in the middle of that conference that—at a time of famine elsewhere you went to Egypt and Syria and increased our aid there in areas that are clearly not famine and that have immediate access to oil money from Kuwait and Saudi Arabia and other countries. It just seems to me that that has to be weighed in that great analysis of our record of food aid.

Secretary Butz. Two quick comments. The commitments to Egypt and Syria did not diminish in anyway our shipments to Bangladesh and Ceylon and places like that.

Second, I know you make these comparisons, and say: In 1966, our contribution was substantially more than 1974. True.

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But, in 1966, this was not a food for peace program. In 1966, this was a "get rid of this stuff at any price" program. It was an embarassment to us. We had these tremendous accumulations. And we were pushing it out.

As a matter of fact, Public Law 480 was passed in the first place, not for humanitarian reasons, as a technique of disposing of the Government held surpluses in this country. Let's be frank about it. It's now been turned around to a proper use, I think, and that use is for humanitarian purposes and for foreign policy purposes too.

People have asked me: Does the United States have a firm commitment to this? And my answer is yes. The test to this commitment was not made in the 1960's when we had large quantities of Government-held surpluses. This was not the test of our commitment. The test of our commitment is when we don't have Government-held surpluses. And we are meeting that test with a great big positive sign right now.

Senator CLARK. I agree wholeheartedly.

Secretary BUTZ. At $1 billion or $1.6 billion.

Senator CLARK. The real test is when you are short. It takes no great sacrifice to give food to hungry people when you have millions of tons. It's in the shortage that we are really tested.

But I just don't conclude from that—last year, for example, when we gave only 3.3 million tons, half of it to Southeast Asia—that we were meeting the test very successfully.

But let me ask some questions about the farm area.

There have been three or four questions to you about what you felt the support price ought to be in terms of the target price or the loan rates. And each time you've suggested you didn't want them too high.

Could you be specific, as Secretary of Agriculture, on what you think those levels ought to be—what your recommendation is to us in writing that law?

Secretary BUTZ. Well, at this juncture, I can't be specific. It would be somewhere between what you want and what I want, I presume. I suppose that's where we're going to come out here. But, at this stage of the poker game, you never show your aces.

Senator CLARK. So you have no position on target prices or loan rates?

Secretary BUTZ. Oh, yes, I have, but——

Senator CLARK. But you don't want them too high.

Secretary BUTZ. But not in specific terms, any more than you want them in specific terms.

Senator CLARK. Oh, I have very specific terms.

Secretary BUTZ. My position is something less than yours.

Senator CLARK. I was interested in the fact that several times you talked about how you don't want these too high. On no occasion have you talked about the fact that you don't want them too low.

All the emphasis in each answer has been that you don't want them too high.

Now it seems to me, as you've indicated accurately, we are very low in supplies. Very low in carryovers. There is a great danger in not having enough production this year.

Secretary BUTZ. Oh, not this year.

Senator CLARK. And, if we are going to encourage people to produce, why should we not have adequate support prices? Isn't that the

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whole idea of the support price program—granting that we don't want them too high?

Secretary BUTZ. The farmers have indicated their intention to produce corn in roughly the same acreage as they have last year. Now the drought cut the production, but the intention was the acres they planted. They did this, not in response to the support program or the target price. They did this in response to the market price.

Senator CLARK. Well, none of that is planted—I shouldn't say "none" of it, but certainly in our area, the corn has not been planted. And many of the farm organizations—I think the Farm Bureau and most of the farm organizations are urging farmers to cut back—urging them to cut back 10 or 15 percent.

Secretary BUTZ. Do you know of anyone who will have 25 percent of his farm idle in 1975?

Senator CLARK. No. They're not asking them to idle it. They're asking them to not plant it in these essential crops, because they're afraid they will overproduce, and the price is going to go down. And they're not going to have any support for it.

Now maybe the farmers will not take their advice, but it seems to me that, if we really feel there is a shortage in this country, and we want to encourage, that we ought to be as concerned about having those support prices too low as too high.

You don't share that view, I gather?

Secretary BUTZ. Well, that's a commonly held point of view. I think farmers respond in the current situation to target prices much more than market prices.

[The following questions were submitted by Senator Clark to Secretary Butz and his answers thereto:]

Question. You indicated that you hope the target price will not become a guaranteed price—what is your concept of the target price system?

Answer. First of all, the marketplace should provide the appropriate signal to producers. If a target price is set too far above the market clearing level, additional production will be encouraged when the market is signalling for less. A major problem today is that there is a tendency to include current land values in estimates of production costs and then to argue that target prices should cover these costs. A more realistic approach is to somehow insure farmers that they can cover their variable costs from year to year.

Question. If you want to increase soybean production, why remove the loan program?

Answer. For several years, soybean prices have been so far above the loan rate that the loan has had little if any effect on farmers' production plans. Eliminating the loan permitted us to dispose of some administrative machinery and reduce government costs.

Question. Would it really be inaccurate to say that you personally would prefer to do away with all support programs and rely on the free market system entirely?

Answer. I believe that market forces should be used to guide basic decisions in production and resource allocation with minimum interference by the Government. However, farmers do need some minimum guarantee against an occasional sharp decline in prices to disaster levels. The present programs offer protection against conditions and still allow the flexibility necessary for efficient production and marketing operations.

Question. I understand that you have announced next year's corn acreage allotment at 89 million acres. Is that all you want farmers to produce?

If you want more acres planted—why don't you raise the allotment so that disaster provisions and support prices would be extended to all the acres you want farmers to plant? Wouldn't that encourage them to plant what you want them to plant?

Answer. The 89 million acre allotment relates to total feed grains covered by the program. It includes approximately 64 million acres of corn, 15 million acres

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of grain sorghum and 10 million acres of barley. This acreage plus the expected acreage of oats, and normal yields for grain crops will produce a crop of around 210–15 million tons of feed grains, or about the expected amount needed for domestic and export requirements. Under the current program, the allotment does not affect farmers decisions to plant. It is for purposes of determining payments to farmers in the event of a disaster. With strong demand and favorable market prices the last couple of years, farmers have geared up to plant about all of the available cropland if they have a normal planting season. Farmers can hedge against the danger of lower prices at harvest-time by contracting ahead for fall delivery.

Question. What is your estimate of the 1975 cost of producing soybeans?

Answer. The cost of production varies from farm to farm and from region to region. We have no estimates at this time that would reflect the weighted average of all these situations. We have underway a study that will give us this answer. In the meantime, we have made preliminary estimates as follows of what it will cost to produce a bushel of soybeans in two important regions for 1975:

	Indiana	Mississippi Delta
Variable costs	$1.71	$2.25
Machinery depreciation	.59	.65
General farm overhead	.60	.60
Total specific costs	2.90	3.50
Land rent [1]	2.35	1.79
Total	5.25	5.29

[1] Calculations based on land value per acre of $900 in Indiana and $500 in Mississippi. Interest rate in both cases of 8 percent. The land value for soybeans in Mississippi was less than for cotton because soybeans generally are grown on a less valuable soil type.

Question. What changes would you support in Public Law 480 and the food stamp program?

Answer. The Administration has forwarded to the Congress a proposed amendment to section 491 of Public Law 480 which would permit the Secretary some flexibility in determining that a portion of exportable supplies of commodities could be used to carry out the national interest or for humanitarian purposes under extremely tight commodity situations. Otherwise Public Law 480 has proved to be a flexible instrument to meet, with varying degrees of emphasis, the objectives of the Act.

(Food Stamp portion of the reply furnished by FNS.)

Question. What recommendations would you make in the Food Stamp Program?

Answer. The Department is now studying the possibility of revising procedures used in determining income for food stamp purposes. Currently, in arriving at income for purposes of food stamp eligibility and basis of issuance, a number of household expenses such as child care, excess shelter costs, and medical costs are deducted. A study now underway is analyzing the possibility and alternative ways of eliminating these individual household expenditure determinations and replacing them with the use of standard deductions. It appears likely that the use of standard deductions along with certain other changes would bring about both increased program equity and greater simplicity.

The Department expects to complete this study and be prepared to make legislative recommendations for consideration within the Executive Branch by April 1.

In addition, responsive to the Senate Resolution, other aspects of the Food Stamp Program will be reviewed with a view toward making possible legislative changes. These recommendations along with those having to do with the determination of food stamp income will be incorporated in the report requested by the Senate as soon as possible, but in no event, later than the June 30 date established by the Resolution.

Question. Is there any uniform policy for leasing space by the different agricultural agencies?

Answer. With the exception of the Commodity Credit Corporation, the authority to lease space, under certain conditions, has been delegated to the Department by GSA and we have re-delegated this authority to the USDA agencies. The leasing of space is considered a normal procurement action subject to the

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Question. If we have an ACP Program later in the year, will County Committees be able to select the practices for their County Program? Can they go back to the 1973 program practices or even 1970 practices?

Answer. If an ACP is announced for 1975, county program development groups will again be able to select from the National or State program the practices for their county program. The procedure for selecting practices is basically the same as it has been for a number of years.

In addition to being able to select practices from the National or State program, the county program development groups will be able to continue to develop special practices needed to solve problems peculiar to a particular area and for which National program practices are not adequate. Consideration is being given to a proposal that the authority to approve most of these types of practices be delegated to State Program Development groups, subject to specific National guidelines. In the past, all of these special practices required Washington approval.

The specific details of a 1975 program have not yet been developed. Therefore, it is not known whether the authority to include 1970 or 1973 practices in county programs will be a part of the 1975 National program.

Question. Is there sufficient personnel left at the county office level to explain the options available to the producer under the program?

Answer. To the best of our ability, we attempted to forecast work which will be required in each county office to give service to farmers under the programs existing in current law. This includes explaining the various options available to producers. It is the policy of the Agency that each county office will employ sufficient personnel to accomplish this work.

Question. At the end of this crop year, if there is over production, will you have sufficient records and personnel available to operate the program that Congress has made into law?

Answer. The amount of work which would be generated in our county offices throughout the country in the event of overproduction during this crop year is difficult to predict at this time. One obvious influencing factor would be the amount of such overproduction. But even if we could assume a certain amount of overproduction, it is hard to tell exactly how it would impact on county office work. Some work that could probably result would be deficiency payments and price support loans. We believe that our current staffing in county offices is generally adequate to handle any such work that we could reasonably expect due to high production during this crop year.

Certainly we will have sufficient records and employee expertise to get the work done. In the event that extremely large volumes of work should occur in some counties, it may be necessary to employ additional help. But this would not be unusual. We have never planned to maintain staffing levels sufficient to take care of peak workload periods. We have always had this problem to a greater or lesser degree because workload is somewhat seasonal in most county officers. We utilize part-time and temporary employees to get us through these periods. We will continue this practice.

Question. Why has County Committee and Community Committee time been reduced to practically nothing?

Answer. We believe that the intended role of community committees in program administration is largely outmoded. Community committees did perform a worthwhile function in the days when communication was not nearly as advanced as it is today. Over the past 20 years or more the use of community committees has more or less declined because county committees are better informed on agricultural conditions throughout their counties, and therefore, do not find need to rely on community committeemen to the extent that they once did. Consequently, the role of community committees has declined to principally that of electing county committeemen.

On the subject of county committee time, we do not agree that it has been reduced to practically nothing. County committees are authorized to hold sufficient meetings to perform legitimate county committee functions. We do not permit county committees to perform routine office functions, but this is not a new policy. Operating instructions have restricted county committee service to performing legitimate county committee determinations, decisions, hearings, etc., for the past 20 years or more. This question probably results from actions taken by the Agency in recent years to eliminate county committees meeting unnecessarily. It is true that those efforts resulted in a substantial reduction of county committee meetings in certain parts of the country; but county committees are permitted sufficient meeting time to conduct legitimate county committee business.

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Question. Why can't ASCS offices handle other related programs that can be or may be established in the future? Such as pollution control and abatement. Clean air programs. Any other environmental and protection programs.

Answer. County ASCS offices down through the years have from time to time been called upon to handle certain functions outside those directly assigned to ASCS through agricultural legislation. Examples of these include such things as assisting Selective Service and Rationing Boards during World War II and monitoring fuel and fertilizer supplies during last year's critical shortages. The Agency stands ready to respond to any task that may be assigned to it by higher authority in tne future.

Question. Will the same administrative restrictions be placed on future disaster programs as were placed on the 1974 program? Such as the substitution restrictions and automatic deductions.

Answer. We have changed the administrative provisions relative to substitution of crops under the 1975 disaster program. We believe our revision of substitution provisions for 1975 will afford farmers the advantage of expanded coverage on overplanted crops to the extent of underplantings of other program crops without the disadvantage of having a normal or above average yield of one program crop offsetting underproduction on another program crop. Deductions from crop payments are made when a farmer furnishes a certification of acreage or production which substantially differs from the correct figure and then only if he would gain a program advantage because of the incorrect certification. We propose to continue this provision in 1975. Responsible program administration would appear to require that farmers receiving government payments should furnish certifications which are relatively accurate.

Question. After the Administration asked for all-out production, then the foregoing restrictions as mentioned in No. 4 above were implemented and tightened as the program progressed. The first people to file in the counties were much better off than the late filers.

Answer. The administrative provisions relating to substitition and payment deductions were not tightened as the program progressed. We find it difficult to visualize a situation where a producer filing an early claim for disaster had an advantage over one filing a late claim.

The CHAIRMAN. Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman.

Mr. Secretary, the Economic Research Service of the Department of Agriculture has prepared a report for this committee on the impact of dairy imports on the U.S. dairy industry. On page 10, the report predicted that more than 181,600, or almost half—47 percent—of the U.S. dairy herds in 1973 would discontinue production by 1980, assuming a continuation of the price support policies of the administration, and section 22 import quotas.

Now what action is the administration taking? What actions is it considering to reverse the trend towards fewer dairy farms? Or, is it a situation, as some feel, that the administration feels that perhaps the dairy industry should have such shrinking?

Secretary BUTZ. Well, I think your figures here indicated the number of dairy farms, not the amount of dairy cows or the amount of production. Is that correct?

Senator LEAHY. Of dairy herds.

Secretary BUTZ. Well, that's the number of dairy farms. There's been a great technological change taking place in dairy production for 20 or 25 years. We are moving away from the smaller herd—the 25- or 30-cow herd—again, in part, because of cost-price relationships.

But, in large part, in response to the fact that it ties you down if you've got a single-family unit, and you don't have a multiple-management unit—it ties you down 7 days a week, 52 weeks a year. There are easier ways to make a living.

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Senator LEAHY. There are easier ways to make a living than in most agricultural——

Secretary BUTZ. This doesn't mean the dairy industry is shrinking like that, because it's moving into larger family herds, which are in part multimanagement herds where you got father and son, or two brothers, or something like that.

Senator LEAHY. Is that really so, Mr. Secretary?

Do I understand from that that the Department of Agriculture has the attitude that it is better to move away from the family farm into a form of agribusiness?

Secretary BUTZ. No sir. These are still family farms, but they are family farms so if you want to get away over the weekend, you can do so. They are family farms in the truest sense of the word. But they give you a little freedom. And I think we all admit that, to be tied down to this 7-day routine 52 weeks a year is kind of tough in the modern world.

Senator LEAHY. Mr. Secretary, the Department set the milk price at 80 percent of parity about a month ago. The increase in production costs has now driven that ratio down to just over 79 percent. What's your best estimate of the increase in the production costs that the dairy farmers can expect for the rest of this year?

Secretary BUTZ. It will probably go up a little bit, I would expect. I would expect the index cost, feed costs—feed makes part of that production cost go up.

Senator LEAHY. It's safe to say it will go up?

Secretary BUTZ. It will decline. I think the over-all cost of production will go up modestly.

Senator LEAHY. What percent of parity will the farmer be receiving at the end of the year—any estimate on that?

Secretary BUTZ. Dawson?

It may go down to 75 percent again. I expect, at the present figures, it may hit 75 percent again.

Senator LEAHY. It may go down.

Secretary BUTZ. It may go down, but I think it will drop.

Senator LEAHY. What's the current state of our negotiations with Common Market in regard to imports of subsidized dairy products?

Secretary BUTZ. Last week, the Common Market did, in fact, reinstitute some export subsidies on cheese, not only this country—to any place. At the present time, they are subject to very tight import quotas, except for what we call the price break cheeses, which is the exotic cheeses above a certain price level—the gourmet cheeses are used here primarily. Those import quotas are rigidly in effect. The President has indicated they would not be suspended as long as we are in this current situation we are in. They were suspended a year ago for specific amounts of additional imports. Twice I think we raised the import quotas on nonfat dry milk and once on cheese and once on butter, I believe. I think we got the cheese too late. I think the cheese imports did, in fact, impact on dairy prices in this country.

Senator LEAHY. I think most dairy farmers would agree with you on that.

Secretary BUTZ. Yes. On dried skim and butter, probably not. We were at the point where we didn't just have enough dry skim to meet our domestic requirements. Our cottage cheese manufacturers,

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our ice cream manufacturers, our bakers were shifting to something else. And, frankly, we didn't want them to shift. And I think there was every reason that we should have had that one or two time exception for dried skim. I forgot what it was. But now then, we are down at a nominal level in our import quotas. It's purely nominal. I can't give you the exact figures.

Senator LEAHY. Is it high enough to justify in your mind the imposition of countervailing import duties?

Secretary BUTZ. I think the question of countervailing duties is academic so long as we have the rigid import quotas, because, regardless of how they price it internally in Europe, it can't come in over our quotas.

Now, if we get to the point——

Senator LEAHY. Wait a minute. Let me see if I understand you on that, Mr. Secretary. You say that with the import quotas we have right now——

Secretary BUTZ. Yes.

Senator LEAHY. So long as those do not change——

Secretary BUTZ. So long as those do not change.

Senator LEAHY. There would be no need for countervailing import duties?

Secretary BUTZ. Wouldn't have any impact one way or the other. But let me say that, if for any reason these import quotas are changed through bargaining in Geneva with the forthcoming GATT negotiations, or however it may be, then I think we should stand ready at once to impose countervailing duties against subsidizing duties to this country.

Senator LEAHY. That would be your recommendation?

Secretary BUTZ. Yes, sir. It's been my recommendation. I think our dairy farmers can compete against the French dairy farmers, but not against the French Government.

Senator LEAHY. To go back to my earlier question about dairy herds and your estimate, has your department considered the impact this has on predominantly rural areas, where the way of life may be the family farmer?

Secretary BUTZ. Oh, yes. I have a note here from Dawson Ahalt that cow numbers in Northeastern United States increased last year, whereas nationally the cow numbers decreased. And I think that again reflects the lack of alternative opportunities, frankly, that historically you'll see these smaller dairy herds being combined into larger units in times when there are ample alternative employment opportunities, especially for young people.

Senator LEAHY. Alternatively, the prices have gone down so much that you can't even sell them.

Secretary BUTZ. You can't sell your discard dairy products at high beef prices. That's part of the problem.

Senator LEAHY. When you do have the change, would a substantial amount of land go out of production?

Secretary BUTZ. No, sir. Not unless it was land that was submarginal in the first place. No, sir. It's still farmed to support the remaining herds which become larger.

Senator LEAHY. Thank you, Mr. Chairman.

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Secretary BUTZ. But let me comment very frankly this bothers me. We are in a declining per capita consumption of milk in this country. It's going down, and the best food we got. And it's going down slightly. The per capita consumption of beer is zooming. The per capita consumption of cola drinks is zooming. Last year we consumed approximately, if my figures are correct, about 29 gallons of milk per person; and this per person beers up to 21 gallons; and soda drinks are up to 22 gallons, and gaining. And you put beer and soda drinks together, they far outdistance milk in this country. And I had my staff——

Senator LEAHY. I'm not going to try to draw a sociological conclusion from that.

Secretary BUTZ. But I'm talking about one of the problems we face here, and people complain about the price of milk. The other day I had somebody price a six-pack of beer down here at the store and a gallon of milk, carry home, at store prices. And you get home and you pour it in an 8-ounce glass of milk and an 8-ounce glass of beer. The milk costs you 10 cents. The beer costs you 20 cents. Beer is going up. Nobody complains about the price.

Milk's going down. They raise the devil about the price.

Explain it to me.

Senator LEAHY. Back in Vermont, we try to get photographed drinking the milk, and not the beer.

Mr. Chairman, there is one thing I would like to comment on, though, to the Secretary. It is not a matter that I intended to raise in questions here today, but Senator McGovern's comments prompted it.

Whether it is right or wrong, there is a feeling among food stamp recipients that the Department of Agriculture is going out of its way to make things difficult for those recipients.

In my own State slightly over 10 percent of the people receive food stamps. Prior to the time I was elected to the Senate and since then, I've talked with a number of those people. Maybe it is the case that the Food Stamp Program should not be within the Department of Agriculture. Maybe it should be somewhere else. But the feeling persists. And, to an awful lot of recipients of food stamps, the Department of Agriculture has gone out of its way to make things difficult for them. The attempted action of the administration in raising the price of food stamps just added to that. And I really think, at a time of high unemployment, horrible inflation, recession and, in some cases, starvation in this country, that the Department of Agriculture, if it's going to handle the Food Stamp Program, should make every single effort to reverse that image that it has, for the sake of humanity.

Secretary BUTZ. Well, I quite agree with you.

On the other hand, I think, if we can tighten up among those of the higher income echelons of this thing—Senator, you had an article a moment ago that it is going middle-class America.

Senator DOLE. I put it in the record.

Secretary BUTZ. If we could tighten up here, we'd have enough for the truly needy people. That's what we want to do.

The CHAIRMAN. Mr. Secretary, as you know, peanuts is the second largest money crop grown in my State. The people in Georgia didn't send me to the U.S. Senate to stand idly by and watch their second largest money crop destroyed.

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Secretary BUTZ. I understand a Georgia farmer called for my resignation before Senator McGovern did the other day.

Senator DOLE. No. He was from Alabama.

The CHAIRMAN. You are aware of the fact that for the 12-year period 1960–72 inclusive, peanuts, as a percentage of the value of the crop, cost the Government less than any other crop in America except tobacco?

Secretary BUTZ. Yes, but that argument is simply the pot calling the kettle black. Since then we have reduced the cost of corn, soybeans; we have reduced the cost of wheat, we have reduced the cost of cotton since those years.

The CHAIRMAN. But you haven't hoarded those crops, have you?

Secretary BUTZ. No, they've moved into the marketplace at no cost to the Government.

The CHAIRMAN. What did peanuts cost the Government in 1973? I don't have those figures.

Secretary BUTZ. In 1974 the cost was practically negligible but only because of the noted price of soybean oil which made a market for peanuts—$4.8 million, but the year before that was about 70-something million.

Mr. Chairman, like you, I don't want to liquidate the peanut industry in Georgia, for heaven sakes. It's a good American industry. Twenty years ago peanuts in this country produced approximately $500 million of gross income, soybeans grossed approximately $500 million of gross income. Peanuts took the Government route, soybeans took the free route. They both are a source of oil and protein. Last year peanuts were roughly $500 million, soybeans were $7 billion. I'd like to move peanuts down that same road.

The CHAIRMAN. There's a difference, Mr. Secretary. Soybean is a principal protein ingredient for poultry feed, for hog feed and for cattle feed. And peanuts, we think, are a little more aristocratic than that.

Secretary BUTZ. I carry them in my desk.

The CHAIRMAN. We feed them to humans.

Thank you, sir, and I hope in your negotiations with the representatives of the peanut industry you keep in mind how important it is to thousands of farmers that live on submarginal income and without a peanut program they would be deprived of a means of livelihood and would get on a welfare program and whatever land values they have would be completely destroyed.

Secretary BUTZ. Yes, sir.

The CHAIRMAN. Senator Dole.

Senator DOLE. Well, I won't take but a minute. I know some of the other Senators have questions.

There has been a great emphasis here on the Food Stamp Program and food for peace and I think there's probably every justification for that, but I think there's a greater concern if we don't come up with a good farm program there won't be any food for peace program and there won't be any Food Stamp Program. And so, while the world food problem and the food stamps may grab the headlines, I think we still have to get down to the basics on what kind of a farm program we're going to write to make these other programs possible. And I'm certain the Secretary shares that view and everyone on this committee.

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It occurs to me that we've had so many witnesses and to go through their testimony as its been summarized by the staff with the different witnesses and to propound questions would be an endless task for the Secretary but I assume we will be able to submit questions in writing and have them made a part of the record.

Secretary BUTZ. Yes, sir.

The CHAIRMAN. It's already been ordered, Senator Dole.,

Senator DOLE. Anything we want to submit?

The CHAIRMAN. Any member of the committee that wants to submit additional questions will submit them to the staff and take them up to the Secretary and he'll respond on the record.

Senator DOLE. I'm encouraged with Secretary Butz' statement. He didn't come here stating that he had opposition to increasing target prices—well, not very strongly. That's the written statement which is part of the record.

The CHAIRMAN. I thought he referred to it as a poker hand whatever that level is.

Senator DOLE. It's something between what someone may want and what someone else may want and what the taxpayers may want and what the consumers may want, so there are a lot of different views, not just the Secretary's and this committee because I assume there are consumer pressures now and then, aren't there, in the Department?

Secretary BUTZ. Yes, sir.

Senator DOLE. And I think there probably should be in some instances. I would like to put into the record—not that the Secretary needs to be reminded but the parity price for wheat is $4.43, for corn $2.94, for cotton, 75 cents per pound.

The target prices for 1975 are wheat $2.05, corn $1.38 and cotton 38 cents a pound.

So it indicates that there's quite a gap between parity and present target prices. I don't suggest that the target price ought to be the same as parity but there ought to be some realistic cost protection to the farmer.

Now, I'm sorry Senator Clark left because I want to get into this article because it apparently happened but I remember as he was reading this back in 1968 or 1969 Under-Secretary John Schnittker who was then the Under Secretary of Agriculture made a statement and I would quote it:

> The United States counts 3 million farms in a census but only 1 million of them are serious producers and major beneficiaries of farm programs. This is increasingly obvious but still not fully acceptable politically. Conventional farm programs help persons on small farms get the better life they want. Commodity oriented agricultural policy must be designed principally for full-time farmers.

And I remember that caused quite a stir at that time. In fact we were stirring at that time on this side. But, in any event, if you take it in context it probably indicates that some farmers are leaving the farm and as the Secretary indicated, there are fewer leaving now but, of course, there are fewer to leave. You know, once you get down to sort of a rockbottom line—I can see where that number would drop but I appreciate your testimony and flexibility and patience and tolerance. Thank you.

The CHAIRMAN. Senator McGovern.

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Senator McGOVERN. Mr. Secretary, I just want to ask you a couple of questions about the livestock crisis but before I do that I did want to call your attention to this problem that you mentioned about people participating fraudulently in the Food Stamp Program. Your Department submitted a study on that in 1973. I don't know whether anything has been done since that but it demonstrated that of all the people that you checked who were participating in the program, it indicated that only twenty-four thousandths of 1 percent were actually found guilty of any fraud. That's an infinitesimal number.

Senator DOLE. Found guilty or charged?

Senator McGOVERN. Well, the Department made a survey looking for evidence of fraud. And your Department testified that as in the first three quarters of 1973, twenty-four thousandths of 1 percent were participating in this program fraudulently.

I'd like to ask, Mr. Chairman, that this report from the Department of Agriculture be made a part of the record—just this one page.

The CHAIRMAN. Without objection, it's so ordered.

[The above-referred-to material follows:]

APPENDIX

Item 1—Submitted by Witnesses

FROM THE U.S. DEPARTMENT OF AGRICULTURE

USDA STATISTICS—PROGRAMS REMARKABLY FREE OF FRAUD

From July 1, 1972 through March 30, 1973, there were twelve instances of embezzlement by State and local employees. The Office of Inspector General is investigating each case. Six of these cases have been completed, resulting in three prosecutions and convictions and with the U.S. Attorney declining to prosecute the other three. The total dollar loss to the program involved in the six completed investigations was $28,376.

During the same period, there were four instances of OIG investigations into coupon trafficking, involving $26,000 in program losses. There was a prosecution and conviction in one case, two cases still are under investigation and one is pending with the U.S. Attorney.

There were 24 instances of coupon theft losses resulting from burglaries and armed robberies during the first nine months of fiscal year 1973. The losses totalled $418,771 out of a total of $2.89 billion coupons issued during that period, making the loss equivalent to .0145 percent of the total volume of coupons issued. This is equivalent to just about 14 cents stolen from each $1,000 of coupons issued.

During the same period, 400 retailers were disqualified. Also based on the findings of violations, the courts sentenced 115 retailers or their employees for criminal violations of the Act. These sentences have included fines ranging up to $10,000, probation periods and confinements of periods up to two years. As the figures show, only a small percentage of the 180,000 firms who are authorized have been found to be violating the Food Stamp Program.

Additionally, there were 8,250 claims established against recipients, for fraudulently receiving food stamps. These claims amounted to $1,784,427 of which $694,714 has so far been collected.

The percentage of bonus coupons issued through fraudulent activity in relation to total bonus coupons issued during the first three quarters of fiscal year 1973 is 11 hundredths of one percent.

For the same period, the percent of these losses in terms of total coupons issued is 6 hundredths of one percent.

In the first three quarters of fiscal year 1973, the percentage of fraudulently participating households, as related to total participating households, equalled 24 thousandths of one percent.

Senator McGOVERN. It's the only thing I know of that we have in the way of an official estimate that we have as to what fraud is in that

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program. Of course, if there's one-millionth of 1 percent that's too much. We know there shouldn't be any fraud.

Senator DOLE. If the Senator would yield for a second.

Senator McGOVERN. Yes, I'll yield.

Senator DOLE. I think there will be a GAO study coming out soon which I'm not suggesting is fraud but it's going to show that in 16 States more than 20 percent of the recipients were ineligible on the basis of the information in their file.

Senator McGOVERN. Well, I'll be surprised, Senator Dole, if that's true but I'm certainly anxious to see that.

Senator DOLE. I don't suggest that it's based on fraud but clerical errors and inaccuracies in administration. It goes back to the question of State administration.

Secretary BUTZ. Plus one more thing. I think it's very, very difficult to check the castouts that come from the total income to get adjusted income. And you almost have to take the statement of the applicants themselves on that.

Senator McGOVERN. Even if you take the highest estimates that I've seen of the number of people who fraudulently participate, it is considerably less than the number of people who qualify who don't participate.

Secretary BUTZ. That's right.

Senator McGOVERN. Just a couple of questions now on this livestock matter, Mr. Secretary. I had though maybe a year ago that we were going through kind of a 1-year crisis in livestock but it seems to me it's a matter that's going to be with us for another year—maybe 2 years.

Meanwhile, every one of us around this table—and I know you are aware of this—knows that there are thousands of producers, men and women, who have given their lives to the livestock business, who are going broke. If we can't find some way to deal with that situation very quickly, large numbers of people are going to go into bankruptcy—are going to be driven out of business—livestock producers, livestock feeders, farmers, large, small, and in the middle. And I wonder what the Department feels are some immediate steps that we could take to remedy that situation.

Secretary BUTZ. Well, I think we've done two or three things. This committee itself took the initiative in the emergency livestock loan that they passed a year ago where they were authorized up to $2 billion of loans. Frankly, not many livestock producers have taken advantage of that.

Senator McGOVERN. Do you know why they haven't? Have the banks been so tough that it's been——

Secretary BUTZ. It's one of the things that's hard to understand. I think in some cases banks have met their credit needs; in other cases they haven't, and these loans have to be initiated by a lending agency, a bank, a PCA and whatever it might be and they have to participate up to 10 percent. I think in some cases they felt it was not a viable thing and that to extend credit would be just to extend the misery.

We've had, at the present time, something less than $200 million of those loans that have been extended from the $2 billion authorization and, frankly, I don't know why we haven't had more use of it. We have simply got to make some adjustments in cattle numbers.

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We had a buildup in cattle numbers in 1973 of approximately 6 million head of cattle. In 1974, this buildup slowed down. We had a buildup in 1974 of about 4 million—between 3 and 4 million head of cattle. I think we won't actually liquidate our herds. We are going to go through a year of fairly stable numbers, which means we increase the marketings of female stock, primarily, to do that. This year we're going to eat approximately 6 or 7 more pounds of beef per person than last year's record of 117 pounds. I think, frankly, the fact that we had this bad crop year in feed grains in 1974 may ease us through this adjustment in cattle numbers more than if we hadn't had the bad year because it means that we're going to market lighter-weight animals. Last year the starter weight of animals had dropped markedly and I think we're going to make this number adjustment without a corresponding impact on total tonnage and I think this is going to come at the same time that pork and poultry marketings are down. I think we may have a shorter, normal liquidation period this cycle than we normally have. In the meantime, it will be tough.

Senator McGovern. Well, Mr. Secretary, at a time when we're trying to find ways to stabilize the economy and to shore it up when it's in trouble, what would you think of the possibility of a direct purchase program of some size? I'm not talking about the small purchase that was made for the school lunch program last year, but, if, in fact, this surplus is a temporary problem, why wouldn't it make sense for the Government to move in with a buying program from the producers, and process and can that meat? It will hold for some period of time.

We could gradually work it into our school lunch, our food assistance programs; maybe some of it overseas where they have protein shortages. I know that's not the most efficient way to move food to hungry people but it's what we have in surplus now. And my feeling is that a lot of that money that it would cost—it might be a $1 billion or $2 billion program—a lot of that would come back to the Government in the form of increased revenues from people who otherwise are going to be so poor they don't pay any taxes.

Secretary Butz. That proposal has been made. The proposal of using canned beef for foreign food relief, as you say, is not nearly as efficient as using food grains. Many of the people on food relief are not meat-eating people. If you try to move this into Bangladesh or India, you'd get into trouble immediately, as you know and in North Africa the proposal has been made. The economics of it simply don't work out.

Senator McGovern. But the economics of letting all these livestock people go broke doesn't work out very well, either, and it seems to me this is one thing the Department ought to take a very careful look at. I have a bill along that line that has been introduced, that you may be familiar with, Mr. Secretary, and a number of other Senators have joined in cosponsoring that but it is one way to deal with this problem.

Just one other question on the livestock matter. What is the situation on the Department's proposal or its "feeler" here a while back to change the grading on beef so that it would require less corn in order to qualify for the top grade?

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Secretary BUTZ. Yes; we made that proposal some months back, had public hearings on it, accepted comments. They went back again for study in the Department and I understand just before coming up through channels now and I expect it any time. The beef producers, in the main, recommended and backed the very thing you made and that is a revision of the standards which I think we need to place a little less emphasis on overfat beef. I think we've made our beef too fat. The consumer's representatives, in the main, disapprove of that recommendation feeling that they were downgrading our standards and trying to pass some grass beef off on them as fed beef.

Senator MCGOVERN. I don't think the consumer groups maybe have been fully advised that it would be healthier for us to eat beef that was a little less fat than some of the beef we now stamp as choice. If we could cut out even a couple of months of that corn feeding——

Secretary BUTZ. I agree with you.

Senator MCGOVERN [continuing]. We would save high-priced corn and we would probably produce a better grade of beef. It would be in the consumer interest.

Secretary BUTZ. I agree with that.

Senator MCGOVERN. I think we could have just as good beef by trimming three-eighths of an inch fat off the roasts than three-quarters of an inch.

One more question, then I'll yield to the other Senators.

What about the possibility of a temporary price floor under livestock prices? One of the witnesses—I think it was the Midcontinent Farmers Association—testified in favor of some kind of a floor under livestock prices.

Secretary BUTZ. The practical difficulty, as you well know, is you're dealing with a highly perishable product unlike grains. If you acquire it with a price floor, you can store it. In the case of beef, somebody said you either sell it or you smell it. With a highly perishable product like that, what do you do with it?

The CHAIRMAN. Senator Young.

Senator YOUNG. Just one thing. Secretary Butz, maybe I misunderstood you. I thought you said Public Law 480 was established only to get rid of surpluses.

Secretary BUTZ. This was the primary philosophy back of it in 1954 when it passed, yes, sir. I had just come aboard then as Assistant Secretary of Agriculture—just 6 weeks after the act was passed—and the primary purpose was to dispose of surpluses. The purpose has now changed.

Senator YOUNG. Well, I happened to cosponsor that legislation with Senator Schoeppel and we had other reasons—mainly humanitarian and famine relief—when we had Secretary Benson help write it to have food distributed by church organizations and Care. I hate to have that impression left that it was just to get rid of surpluses.

Secretary BUTZ. I stand corrected.

The CHAIRMAN. Senator Humphrey.

Senator HUMPHREY. I just noted the same thing, Senator Young. Let me just say that I joined with you and of course, Senator Schoeppel as the sponsors of this legislation.

Its genesis was from two previous acts. Around 1951 we provided 4 million tons of food aid to India. I was author of that bill, Mr. Secre-

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tary. In the Mutual Assistance Act of 1953, we added a provision to put $250 million worth of grain in the mutual assistance program instead of dollars as a part of the foreign assistance program.

And one of the main reasons for Public Law 480 was that we recognized that we had a valuable commodity called food which could be used instead of dollars as part of our economic development and foreign assistance program. I just want to make sure that we don't cheapen this program.

Senator YOUNG. As I recall, former President Hoover's idea of foreign assistance was only to give food and not dollars and he wasn't too far wrong.

Senator HUMPHREY. Exactly right. In 1966 we provided food aid to the people of India. We avoided a mass famine. You will remember Secretary Freeman came up here at that time. I want to get back to what Senator Dole said here a moment ago, and I find myself on many occasions in agreement with this man. On other occasions, he prays for me and I pray for him, but the real problem is what kind of a farm program are you going to get here. I've said earlier why I feel that the Food Stamp Program, Public Law 480 and others ought to be in our farm program. It gives us a more coordinated program, and it gives us greater support for what we seek to do here. But the problem is income—not price, but income. What kind of net income does a farmer make?

Mr. Secretary, I believe you agreed with Senator Dole, when he read to you what are the target price schedules today.

You have cost of production figures on what we call variable costs and then with land; is that right?

Secretary BUTZ. Yes, sir.

Senator HUMPHREY. The variable cost for corn, was how much?

Secretary BUTZ. The variable cost for corn in Indiana was $1.12.

Senator HUMPHREY. And——

Secretary BUTZ. No, I'm sorry. The variable cost was 81 cents and then you put machinery depreciation and general farm overhead, so that you're——

Senator HUMPHREY. Exclusive of land and management?

Secretary BUTZ. That's correct.

Senator HUMPHREY. $1.12?

Secretary BUTZ. Exclusive of land and management, it was $1.12.

Senator HUMPHREY. Wheat was $1.54?

Secretary BUTZ. Yes, sir.

Senator HUMPHREY. And cotton was 40.8 cents; is that right?

Secretary BUTZ. 41 cents, cotton.

Senator HUMPHREY. Now, what are the current target-price levels for these respective commodities?

Secretary BUTZ. The current price—target price for corn is $1.38; for wheat it's $2.05; and for cotton it's 38 cents.

Senator HUMPHREY. I understand that your statement—and I read it—is the statement of the policy of the administration. Is that correct?

Secretary BUTZ. Yes, sir.

Senator HUMPHREY. This, obviously, speaks for the President, as well as the Office of Management and Budget and the Secretary of Agriculture?

Secretary BUTZ. That is correct.

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Senator HUMPHREY. This administration is adamantly opposed to disruptive modifications in the present agricultural policy, which would rescind the decisionmaking freedom restored to farmers by the Agricultural Act of 1970 and strengthened by the Agriculture and Consumer Protection Act of 1973.

Specifically, this administration opposes amendments to the present target price and loan levels of the Agriculture and Consumer Protection Act of 1973.

Mr. Secretary, it is the general body of testimony before this committee that the current target prices and loan levels—I believe, without exception of any witness—now, I can be corrected on that, but the overwhelming majority of witnesses from every farm group in America and others—bankers included—say that the present target prices and loan levels are totally inadquate. Now, what can we expect from the Department?

We know we're going to have to write a bill, and we're going to run into a stone wall at the administration level. Well, then, it's just an abortive exercise. That's really just what it boils down to because I'm a realist about politics, and there is no two-thirds vote in this Congress to override a Presidential veto on a farm bill. At least I doubt it unless things have changed amazingly in the last 25 years. I haven't seen that yet.

And, in the meantime, farm income is going down while farm costs are going up. And there's no argument about this They have gone up, and for whatever reason they are going up. How can we have any hope for our American agriculture when people come in here and testify that it costs them more per bushel to produce wheat than any target price or loan level will provide.

Secretary BUTZ. Senator, I think your question—and I think the testimony of many of the witnesses who have preceded me—missed the very point that I am trying to make—that we don't want to get into the situation where we produce for a target price. We don't want to get into the situation where we produce for a loan price. We want to produce for a viable market price high enough to leave some profit in this operation.

Senator HUMPHREY. I understand that. Now I understand this whole price theory. Mr. Benson told us—and you were with him—that if you keep those prices the farmers will not produce as much. That's a bunch of hogwash. Farmers produce even more when prices go down, because they are desperately trying somehow or other to stay alive. And that's true in North Dakota, Kansas, Minnesota, South Dakota, Vermont, or wherever you go. They just have to produce more.

Now we also know that when prices go up, farmers tend to come into the market. But, when prices go down, it does exactly the same thing. And that's why we've got surplus, after surplus, after surplus.

Now look here. Your testimony says that, had you had a good bumper crop last year that there would have been an appreciable lowering of prices. Right?

You testified to that today.

Secretary BUTZ. That's quite right. It would have been lower.

Senator HUMPHREY. All right. What happens next year, if you get 6½ bushels of corn, Mr. Secretary?

Secretary BUTZ. All right. I hope we get six and a half.

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Senator HUMPHREY. And let's say that you get 2.2 billion bushels of wheat next year. What do you think is going to happen to prices?

Secretary BUTZ. Well, at the risk of being a capitalist, I pull out the Wall Street Journal of yesterday's market. And I look at the best market judgment on the price of crops, knowing that we are heading for a wheat crop of 2.1 or maybe even 2.2.

Senator HUMPHREY. Go right ahead. I'm ready for you.

Secretary BUTZ. I can see it. You can sell July wheat—yesterday you could sell July wheat for 19 cents under March wheat. Now I know there are geographical differences.

Senator HUMPHREY. Now what is March wheat?

Secretary BUTZ. March wheat yesterday closed at $3.84.

Senator HUMPHREY. That's 19 cents below $3.84.

Secretary BUTZ. No, no. That's March wheat. July wheat closed at $3.65 in Chicago.

Senator HUMPHREY. $3.65.

Secretary BUTZ. Now let me take Kansas City here. It's more out in the wheat country. July wheat there was $3.75 yesterday.

Now then, I think the market anticipates a crop of this magnitude. We had 6 percent more winter wheat acreage than last year. And winter wheat, in the main, is in good shape right now. There are some dry spots. But, in the main, it's in good shape.

Farmers' indications for spring wheat are a modest increase in acreage—I forgot what it is.

So I think the market thinks we are heading for a crop of 2.1 to 2.2 billion bushels. Are we going to sell it?

They think so, We think so. I think we need some more reserve accumulations. You and I both agree that our reserves are too low. They are dangerously low.

We came out of last year with a carryout of estimated 247 million bushels. Currently our people predict a crop next year of a little less than that, of 250—in that magnitude—I think it may be a little above that. But it's still inadequate.

The world needs increased reserves here. I hope we meet that.

Now what about a corn crop? The corn is not in the ground yet.

Senator HUMPHREY. Now let me just interrupt there, Mr. Secretary. I remember a year ago at about this time that those same future trading statistics were appreciably higher. They gave a very high level of future prices.

And those figures change every day.

Secretary BUTZ. But I'm talking now about the relationship of new crop wheat to old crop wheat.

Senator HUMPHREY. I understand that's what futures are all about.

Secretary BUTZ. And that's been pretty constant for a while here.

Senator HUMPHREY. But the future market this time last year, relating to future purchases, was way up as to what the actual price turned out to be.

But again what we need to talk about here is going back to what Senator Dole mentioned. What's going to happen to farm prices, and what kind of a safety net do you have. When you say that you're opposed to any increase in target prices, and you're opposed to an increase in loan levels, I think we're just heading for trouble.

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On the one hand, you're asking the farmer for all-out production. And I think that that's a reasonable request on the part of the Government. But, if the Government is going to ask for all-out production, knowing the variables in the market, knowing that other countries are hard pressed for currency and knowing that your food exports may not be as much as they were the previous year because there is a worldwide recession. Then why, in the name of commonsense, doesn't the Department give us some assurance here that they at least will be willing to accept a better loan price, because the loan price is based on collateral.

If you are sure that market prices are going to be so good, Mr. Secretary, then why are you worried about having a better loan price? I don't understand the reason. I think you've got real doubts as to your own judgments, because, if you're worried about raising the loan prices, it must mean that you think that market prices are going down. But, if you believe that market prices are going to be up, then you ought not to worry about raising the loan level. And you ought not to worry about a modest increase in the target price.

I just think, Mr. Chairman, that, if we're going to write a bill here, we've got to have some cooperation and we've got to have a pleader in the administration for better target prices, and not just a minor change.

It hasn't been a small change when it comes to operating costs or production costs.

We've got to have someone here that doesn't just tell us that they moved into the market and the market system has worked; I'll tell you why the market system has worked, Mr. Secretary—bad weather and you know it.

Secretary BUTZ. That's been part of it but we had a record wheat crop last year, Senator Humphrey.

Senator HUMPHREY. I know we had a record wheat crop last year but before that, we had depleted reserves and country after country bought up these reserves.

We've had bad weather worldwide and I don't think we ought to go around kidding the American people that somehow or other there is a miraculous system working here, when we work in the free market and most of the world works under controls. I feel that we've got to give our farmers some assurance. Commodities for the Food Stamp and Public Law 480 Programs won't be available unless we've got some kind of program that can give our farmers some reasonable assurance, some minimum wage, if you please, for their production.

Secretary BUTZ. The time has expired but they must have had it this year, for they responded beautifully to production this year, so beautifully that you, yourself, are worried about having too much. So that farmers are responding to this.

Senator HUMPHREY. They responded to this because of our very, very high prices last year. But, let me tell you, if your price estimates are accurate for next year and we get a bumper corn crop with hog numbers down, then we are going to have trouble in the corn belt. We're interested in farm income here and if farm income goes down, Mr. Chairman, it effects this $440 billion agri-business sector and the entire economy.

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The CHAIRMAN. Do any of the Senators have questions of the Secretary?

Senator DOLE. I just want to make one statement because the Secretary's written statement does say, Senator Humphrey, that they would be opposed to amendments to the present target price and loan levels of the Agriculture and Consumer Protection Act of 1973, which would artifically stimulate production and again lead to Government ownership——

Senator HUMPHREY. That's like Father, Son, and the Holy Ghost, coming along with that. I mean, I don't mean to be irreligious at all and I say that most respectfully, but that's just part of the routine.

Senator DOLE. That's the boiler plate that they've been using for years.

Senator HUMPHREY. I know both administrations have been using it.

The CHAIRMAN. Any other questions of the Secretary?

Senator YOUNG. Mr. Secretary, what was the figure you gave as the increase in food prices to consumers in the coming months?

Secretary BUTZ. The increased price of food, at retail, to consumers, the first quarter of this year—the period we are in right now—it may increase by 2 percent. Earlier we had predicted it might be 3 percent or 3½ percent. In the second quarter, April, May, and June, it may be another 2 percent or if inflation continues to cool, it may not be that much. In the last half of the year, again, depending on the course of inflation, and production, it could level off or even decline a bit.

Senator YOUNG. The main reason I asked you that question was that these were the three staple foods when I grew up—bread, potatoes, and meat—wheat prices are down about 30 percent. Potatoes are only about a third of what they were a year ago and beef prices are only about a half of what they were a year ago.

I think you have a good answer for food prices staying the same. I'd like to have your answer, though, as to why.

Secretary BUTZ. I'm glad you pointed that out. I only hear complaints about the price of sugar going up or something that goes up. I don't hear about potatoes being half of what they were a year ago. I don't hear about the price of beef being down. It's down at the retail level.

You pick up tonight's paper, you've got specials on beef all over the page. I don't hear about the price of rice being down and you pointed out the staples. I don't hear about the price of wheat being down; the price of wheat came down. The price of bread didn't come down primarily because it's made up of labor. The price of food in the restaurants don't come down; you go to a good restaurant in this town tonight and, if you're lucky, you'll get a pretty good meal for $6. If they put an empty plate in front of you, it would be $4.50 and we call it food.

Senator HUMPHREY. Could I just ask a question?

Mr. Secretary, this is on our disaster relief program. The Governor of our State called to my attention yesterday—I want to make sure I'm correct about it—that 57 counties in Minnesota were requested by Governor Anderson to be designated to be disaster areas. Forty-three have been so designated; or fourteen, no action has been taken

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and there's a very, very slow response in the loans. Now, you know that those loans are very important for the spring planting.

Can you give us any report on that?

Secretary BUTZ. Yes, this is a matter of major concern to us. Our Farmers Home Administration loans—the so-called "emergency loans"—have been going out at a more rapid rate than last year, partly because of disaster, partly because of the agricultural suppliers not carrying the producer in fertilizer and seeds, like they did a year ago. They've got to borrow for it.

Senator HUMPHREY. Right.

Secretary BUTZ. At the present time, we are up against the necessity for an increased authorization for that. It's in the process.

Senator HUMPHREY. But, the loan money has run short; is that correct?

Secretary BUTZ. Yes, that is correct. That is correct.

Senator HUMPHREY. I'm sure the Chairman would like to discuss that.

The CHAIRMAN. As a matter of fact, we have made a survey—I believe the staff has through the Farmer's Home Administration and the report is that we are short $107 million.

Is that correct?

Mr. KNEBEL. Yes, for farm operating.

Secretary BUTZ. Our figure is $110 million but that's close enough.

Secretary HUMPHREY. Is that disaster relief loans, too?

Mr. KNEBEL. No, this is just for farm operating loans.

Senator HUMPHREY. What about the disaster relief?

The CHAIRMAN. What is the total of that? Do you have it?

We have requested the Chairman of the Agricultural Appropriations Committee—Senator McGee to include that in early supplemental——

Secretary BUTZ. It's in press.

The CHAIRMAN. What is the House doing on that? Does the staff know?

Secretary BUTZ. We don't know what the House is doing but Senator McGee has been alerted and I've written him on behalf of this committee.

Senator MCGOVERN. Mr. Secretary, while we are talking about this FHA matter, we had some testimony a few days ago in the field that the FHA people are running out of travel money to go out and check on these loan applicants.

Is there some contingency fund that could help them out, Mr. Secretary, to take care of that situation?

Secretary BUTZ. In the field, or in this rather unusual situation, the FHA in many cases, is overloaded and there is a backlog because of overloading of personnel. I think the shortage of travel money comes when we are going to have to move somebody 150 miles from a place where they don't have an overload to over here. And you run into per diem and travel and it eats it up pretty fast. There's another alternative here. In many of these cases, the ASCS personnel are under orders because the farm program is down. We made some shifts in personnel. You've got some problem in qualification of an ASCS man to be a farm-loan man. We can handle that. Frankly, the real problem is getting some of these local ASCS managers to admit that

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they've got surplus personnel that they can lend in the emergency. So, then, you could say you've got surplus personnel in a non-emergency situation and you understand the problem here.

Senator HUMPHREY. You do have transferability authority; is that correct?

Secretary BUTZ. Yes, I think we do.

Mr. KNEBEL. The question is, with respect to the ASCS employees—they are not civil service and they can't be supervised and we plan to resolve that right now.

Secretary BUTZ. I guess we don't have the authority. One is civil service and the other isn't and it poses a bit of a problem but we can detail up to 120 days and we're doing that.

The CHAIRMAN. Mr. Secretary, you have been very patient and very articulate and we appreciate very much your appearance before us.

Secretary BUTZ. Thank you very much. We're going to keep the peanut industry healthy.

The CHAIRMAN. If you will respond to this committee and give us your ideas on what you want to do, we'll give you some ideas and we'll be grateful.

Senator HUMPHREY. I'd like to say to my neighbor, that even when things are rough, his sense of humor makes him feel good even when the facts don't support it. I just want to say, he defends himself well.

The CHAIRMAN. Yes—extremely.

[The following questions were submitted by Senator Stone to Secretary Butz and his answers thereto:]

Question. It is my understanding that Israel, which has received the benefits under the Public Law 480 program for the past 19 years, did not receive benefits at all during calendar year 1974. Is this true? (Please note that I am referring to calendar year 1974—not fiscal year 1974.)

(*a*) If this is true, why is that the case?

(*b*) If this is not true, would you please tell me how much aid Israel did receive under Public Law 480 during calendar year 1974 and send me the exact documentation on this figure.

Answer. In calendar year 1974, Israel received a small shipment of vegetable oil (1,020 MT with an export market value of $546,000) under the Public Law 480, Title I program. In calendar year 1973, $41.1 million of wheat/wheat flour, soybean oil, tobacco, corn and grain sorghums were supplied to Israel under the Public Law 480, Title I program.

Question. Assistant Secretary of Agriculture Bell testified two days ago that Public Law 480 shipments to Israel have fallen precipitously over the past two fiscal years. Will you please give me the reasoning behind this decrease in Public Law 480 aid to Israel? What is the exact amount of aid that Israel is scheduled to receive for fiscal year 1975? What is the estimated aid Israel is slated to receive in fiscal year 1976? Please give me the same figures for Egypt, Syria & Jordan.

Answer. Public Law 480, Title I assistance to Israel has declined during the past two years due, in part, to U.S. commodity/supply constraints which precluded the programming of feed grains and vegetable oil which are two of the principal commodities requested by Israel under the Title I program, and to an increase in other U.S. Government assistance to Israel.

Although the Public Law 480, Title I agreements with Israel provided for a calendar year supply period, all Public Law 480 budgeting and commodity allocations are made on a fiscal year basis.

During fiscal year 1974, the United States supplied $29.1 million of corn, grain sorghums, tobacco, vegetable oil and wheat/wheat flour to Israel under the Title I program. This compares with $47.5 million of commodities provided in fiscal year 1973, and $50.1 million in fiscal year 1972. The most recent Title I agreement, which was signed with the Government of Israel on December 16, 1974, provides for the delivery of 50,000 MT of wheat/wheat flour with an export market value of $9.0 million during the January–June 1975 period.

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The Public Law 480, Title I agreement signed on November 27, 1974, with the Government of Jordan provides for 20,000 MT of wheat/wheat flour with an export market value of $3.6 million for supply during fiscal year 1975. For Syria, a Public Law 480, Title I agreement was signed on November 20, 1974, to provide 75,000 MT of wheat/wheat flour and 25,000 MT of rice with an export market value of $22.5 million for supply during fiscal year 1975. For Egypt, the Public Law 480, Title I agreement signed on June 7, 1974, and amended on November 10, 1974, provides for 300,000 MT of wheat/wheat flour with an export market value of $54 million and 4,279 MT of tobacco with a value of $10 million for supply during fiscal year 1975.

Since fiscal year 1976 Public Law 480 budgeting and commodity allocations have yet to be reviewed, we are unable to indicate at this time the level of programming which may be developed for Israel and other Public Law 480 recipient countries in fiscal year 1976.

[The prepared statement of Secretary Butz follows:]

STATEMENT OF HON. EARL L. BUTZ, SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the Committee: We are meeting at a critical time in American farm policy and American history.

We are here to test our confidence in the American system of free enterprise and competitive markets that has brought to this Nation the greatest affluence and strength the world has ever known.

We are here to judge whether an incentive system will continue to give us the greatest output of food in the history of the world.

We are here to determine whether the collective judgment of millions of Americans expressed through the market is a better guide to what is best for them than a few men deciding in a political climate what is best for millions of Americans.

We are here to decide whether private ownership and private management of our agricultural land is a superior system to that of governmental determination of who shall plant, how much, and what the reward of price shall be.

We are in a new era in which we must look ahead. The challenge of tomorrow is whether we will be able to produce enough food to feed a rapidly rising population here and abroad. The problem even today is whether we can achieve enough production to export food, not only to serve the needs of hungry foreign mouths, but to maintain a balance of payments so that we can purchase the imported energy and minerals that are essential to our economic way of life and to our Nation. The desperate demand now is that we have food to use for humanitarian reasons to stem famine abroad, and to use for the even more humanitarian and urgent reason of stemming domestic unrest, nationalism, and military conflagration abroad.

A contented United States cannot live unscathed in a world of hunger and famine. Nor can the United States live unharmed in a world of seething unrest, unstable governments, and foreign wars. Out nation cannot muster the strength it needs for the days ahead if its agriculture is fettered.

Those who might think that American agricultural policy cannot be all that important to conditions in the world don't understand what has been going on. They don't understand that millions of people in the world cling to life through the productive capacity of our farmers. This productive capacity enables this Nation to be generous with its foreign food aid. They don't understand that we used food from our farms to help build and rebuild many of the world's economies which can now stand on their own two feet. They don't understand that food comes first in life—and that the amount of our resources it takes to get our food determines directly and positively how much there will be left to buy the rest of what makes this life important and affluent. They don't understand that the positive balance of trade in U.S. farm products is critical in protecting the value of the dollar and is vital to paying for critical energy and mineral supplies.

Food production—agriculture—remains the largest, and perhaps the most important, sector of this Nation's economy. Therefore, we appreciate the opportunity to discuss the status of agriculture and to provide this Department's view on those items being considered by this Committee.

We are now operating under the Agriculture and Consumer Protection Act of 1973, one of the most successful pieces of agricultural legislation produced under our two-party system of government. It is doing the job it was created to do and is doing it well.

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It completed the change from the long-standing negative policies of curtailment and controls for wheat, feed grain and cotton producers. It gave farmers freedom of choice to meet expanding domestic and worldwide demand for American farm commodities.

With the Farm Acts of 1970 and 1973, U.S. farmers are better able to respond to the changing agricultural situation. Farmers are making their production decisions based on market demands rather than producing for government price support programs. Farm commodity prices have increased because of market conditions, not because of government edict. Recently farm prices have dropped somewhat from record levels, and there is now a demand from some that the government again step in and attempt, artificially, to stabilize prices at higher levels.

Because of their new decision-making freedom, farmers are now able to shift production more quickly and flexibly to meet domestic and overseas demand. Farm exports now make a major contribution to the U.S. balance of trade, in contrast to a moderate level of exports in the past. The U.S. has moved from broad government production controls to minimal or no controls, and from heavy government stocks to virtually no government-owned agricultural commodities. As a result, government storage costs of $1 million a day have been reduced to near zero (with the exception of dairy), and direct payments to farmers have dropped from a peak of $3.9 billion a year to $524 million in calendar 1974—a decline of 87%. And $125 million of last year's outlays was for disaster payments.

Last year, about 35 million acres of land previously withheld from production were planted to crops. In 1975, as in 1974, no acres are being held out of production because of governmental restrictions.

A record wheat crop of 1.8 billion bushels was produced in 1974. With normal weather, we could probably have produced one-third of a billion bushels more. We could have produced nearly a quarter of a billion bushels more soybeans—behind only 1973's record 1.57 billion bushels—and 1.5 billion bushels more corn. Fortunately, or unfortunately, as the case may be, weather cannot be legislated; but we can reasonably expect that crop production will be up this year and should reach record levels if weather is normal.

In 1974 farmers earned an estimated $27 billion in realized net farm income, second only to a record $32.2 billion in 1973. Although income may be down some this year, it will still be well above the level of the previous 24 years, which never exceeded $17 billion, with the single exception of $17.5 billion in 1972.

Farm exports have increased in value from $8 billion in 1972 to $21.3 billion in 1974, and we are estimating exports valued at more than $22 billion in fiscal 1975. Food exports under Public Law 480 came to around a billion dollars in fiscal 1974 and will be about $600 million higher in fiscal 1975. Exports under the donation program aimed at emergency foreign relief will probably be about 60 percent higher than last year.

Freed to make their own planting decisions, farmers by the hundreds of thousands have turned away from allotment patterns that had restrained them in the past. They have moved swiftly into production patterns which maximize efficiency.

The Corn Belt is becoming more heavily concentrated in its highest profit crops—corn and soybeans.

Northern Plains producers have gone more heavily into wheat instead of barley and oats.

Texas producers are planting more sorghum for their livestock industry and for export demand.

Cotton production has begun a near revolutionary shift toward the most efficient production areas—the Mississippi Delta, California and the High Plains and Rolling Plains of Texas. There is no denying that the present outlook for cotton is far from ideal. But it is equally undeniable that the weak demand for cotton in foreign and domestic markets is a function of the worldwide economic slowdown. The choice to the consumer between food and cotton is clear-cut. One must have food to survive. But the use of cotton is optional, at least in the short run.

This is where the variability of farm production, made possible by the Agriculture and Consumer Protection Act of 1973, comes into play. In many traditional cotton-growing areas, that means more soybeans and less cotton. If demand for a commodity is weak, relative to other commodities, farmers should have every opportunity to shift to more profitable alternatives if they choose to do so. And their choice of alternative crops should be determined by prices in the marketplace, not by directive from Washington.

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Our present food policy can be summed up in a single word: Abundance. Or: Full Production. Or: Freedom from government restraints for farmers. Or: Encouragement by the Government for full production of farm goods.

Ours is a positive food policy—a food policy in the interest of a healthier and better-fed America; a policy in the interest of prosperous agriculture and a prosperous rural America.

It is a food policy that minimizes costs to the taxpayer.

It is a food policy consistent with the precepts of incentive and freedom for individuals.

It is a policy based on the wise and efficient utilization of the marvelous agricultural resources with which the Lord endowed America, to the end that all the peoples of the world can live better.

Ours is a food policy consistent with the basic humanitarian instincts of Americans.

Contrast that with the history of the past. Past farm policies cost this Nation billions of dollars to acquire, store, and dispose of commodities under government price support operations. In addition, consumers paid billions of dollars in higher prices as a result of less than full and efficient allocation of resources by not encouraging, and in many cases not even allowing, crop production to shift to the most efficient production areas. However one measures the cost—in tax dollars or losses in export earnings—billions of dollars were spent without bringing farm family incomes up to the level of non-farmers, without appreciably increasing the world's food security, and without truly protecting the farmer. These policies were an albatross for farmers and a source of great irritation to consumers.

The reasons for this failure are clear enough. Support and loan levels were incentive levels for farmers. Farmers produced for government warehouses and for a government check—a check too little to live on; just big enough for some politicians to brag that they were doing "something"; and collectively large enough to incur the wrath of taxpayers. Meantime, surpluses held a lid on farm prices, demoralized farmers, depressed markets at home, destroyed outlets abroad, and ran up tax costs and consumer complaints.

Now that farm prices have receded from record levels, and farm production costs have mounted, there is a legitimate concern about farm earnings and food supplies. I am concerned. Farmers are concerned. And you are concerned. And once again we hear the voices of those calling for government intervention.

Farmers and consumers alike should resist with all their might any attempt to slide back into the outmoded, thoroughly discredited farm policies of the past. Farmers and consumers alike need to understand that these former policies were responsible for the disastrous failures of the past; that unless we exercise good judgment in resisting a revival of such policies, we will create an even more disastrous economic failure in the future.

These policies of the past interfered with the function of price. The function of price is to stimulate or discourage production, and to ration supplies among competing uses.

We all agree that this is a fundamental principle of any market economy. It cannot be avoided regardless of details of individual economic systems; even in the centrally planned economies, the function of price cannot be totally ignored.

The question is: Will these decisions on price be made by the sum total of millions of decisions reflected in the market—with farmers free to respond to the changes—or will these decisions be made politically by a few people and enforced by an army of bureaucrats?

The same basic principles apply to reserves of farm commodities. We must have reserves. We all agree to that. The question is: Will these reserves be carried by farmers and the trade with the levels set through their combined decisions in response to changing conditions—as is happening now—or will the reserves be held by the Government at great tax expense and at the expense of depriving farmers of their hard-won management initiatives? Or at the cost of the rigidity that disrupts both domestic markets and foreign trade?

Everyone agrees that with rising costs, farmers need some assurances against low prices. In some circumstances, they need time and help to adjust. We all agree on that. The question is: Will we give farmers the protection and help to make these adjustments—or will we raise loan rates and target prices to levels at which they once again become incentive prices for farmers and a great burden on taxpayers?

We all believe in reasonable earnings for farmers—since without the expectation of reasonable profit, producers would not make the investment in agriculture

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necessary to take care of our own future needs and those of others around the world.

We also believe in reasonable food prices for consumers. The question is: Will price relationships be allowed to work themselves out through the intelligent guidance of millions of decisions made by buyers and sellers daily—or will the Government decide politically what farmers' earnings will be and what price level consumers must pay?

If the Government makes the decisions, experience shows that we will have a cheap food policy that in the long run will serve neither farmers nor consumers. Why? For the simple reason that politicians and bureaucrats can't say "no" as readily as can the market. Neither can they react as quickly as the market to say "yes." Nor can a few politicians and an army of bureaucrats be as intelligent, or understanding, or as fair as the combined judgment of millions of private citizens rendering their daily decisions in their own best interests.

This Administration is adamantly opposed to disruptive modifications in present agricultural policy which would rescind the decision-making freedom restored to farmers by the Agricultural Act of 1970 and strengthened by the Agriculture and Consumer Protection Act of 1973.

Specifically, this Administration:

Opposes amendments to the present target price and loan levels of the Agriculture and Consumer Protection Act of 1973, which would artificially stimulate production and again lead to government ownership of feed grains, cotton, and wheat and a return to potentially excessive direct payments.

Opposes export licensing, which would deny U.S. farmers free access to world markets, thereby adversely affecting farm income and our balance of payments. Licensing would discourage production, thus increasing food costs for American consumers while burdening taxpayers with the administrative costs of implementation, and it could deny needed commodities to many countries of the world.

Favors establishment of a U.S. grain reserve, as part of a world network of nationally held reserves, endorsed by the World Food Conference; but believes strongly that such a reserve should be held by the private sector and not be government-owned.

Favors moving rice, peanuts and extra long staple cotton into market-oriented programs in phase with current feed grain, wheat and cotton programs. We cannot defend programs which restrict production and produce an effective monopoly for allotment holders, enforced by Government and financed by the taxpayer.

The central issue here is the proposed increase in target prices and loan levels. Part of the push for higher target prices has been rationalized on grounds that farmers need higher targets to provide an additional incentive for production. But what kind of incentive are we talking about? The incentive to produce certain crops for government payments, or the incentive to produce crops that are in demand at the marketplace?

Within the past week, growers of corn, wheat, and soybeans could have contracted to sell their 1975 crops at representative elevators at harvest this year for about $2.65, $3.58, and $5.74 per bushel, respectively. This is more than any target price or loan that can be enacted by the Congress. Farmers could have locked in that price this past week and assured themselves of a good return from the marketplace.

Farmers are rightfully concerned about rising cost. The reason for rising costs is inflation. This Congress is the right place to come for action and fiscal policies that will curb the inflationary spiral in costs of what farmers buy.

Farmers have indicated that while they will reduce cotton plantings to 9.5 million acres in 1975, they will plant over 77 million acres of corn, about 74 million acres of wheat, over 57 million acres of soybeans and over 19 million acres of grain sorghums. This clearly indicates market prices are an effective incentive to produce needed crops. And there is certainly no indication that farmers expect to leave land idle in the coming year. We can see in these planting intentions ample proof that farmers have responded favorably to the marketing initiatives guaranteed them by the Agriculture and Consumer Protection Act of 1973. If there is sufficient incentive in the marketplace to induce full production, why add still more incentives?

Proponents of higher loan rates contend that raising the level of these rates would have a positive effect on production. However, this runs the risk of eventually encouraging production for the Commodity Credit Corporation rather than

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for actual domestic and export needs. And it can interfere with acreage adjustments among crops in response to market demand.

To continue to provide farmers the opportunity to use all of their production resources at peak efficiency, we must continue to expand our export trade. High loan rates could hold U.S. prices above world levels and make U.S. products noncompetitive in world markets—unless we once again resort to a system of export subsidies, contrary to the U.S. goal of freer world trade. High U.S. loan levels also provide a price umbrella for the world, encouraging foreign production which competes with U.S. farmers.

Domestic consumers use only one-third the wheat, two-fifths of the rice, half the soybeans, two-thirds of the tobacco. two-thirds of the cotton, and three-fourths of the feed grains produced by American farmers.

Yet we hear, almost daily, some voice in or out of government, who unthinkingly, I hope, would try to push us in a direction away from commercial exports, eventually collapsing our agricultural production with tragic impact on our total economic well-being.

If farmers in America were limited to producing only for the needs of this country it would have a serious negative impact on the entire economy, since there would be setbacks in many businesses and industries which provide services or supplies to agriculture.

On top of this, we would face a serious international monetary situation. This Nation could lose more than $20 billion in positive impact on the balance of payments if farm exports were sharply curtailed.

America's agricultural productivity is built on profit.

In today's agriculture, there is no better way to encourage production than through the profit incentive. To have profit the farmer must be permitted to sell whatever he produces wherever he can sell it. If sales abroad are not permitted when there is a need for American farm products, not only will the shorted international market drive commodity prices higher, but such a policy will create intolerable economic conditions at home.

You already have before you proposals for the establishment of reserves for grains and other agricultural products. These proposals stem from two major concerns: (1) the humanitarian desire to be able to meet food needs in times of unexpected production shortfall; and (2) the further desire to reduce fluctuations in farm and food price levels. I share those objectives; they are laudatory. But I do not concur in the means proposed to achieve them.

If the primary reason for having a reserve is one of providing food security, then it would also seem that those who have the greatest food security risk should hold the major portion of such a reserve. That means the importing nations of the world. The United States for many years has held most of the world's food reserves, at no cost to the importing nations.

We are prepared to commit our fair share toward worldwide food security, but we expect the other major importing and exporting nations to do their share, too. In fact, we took the lead in discussion on this issue at the World Food Conference in Rome last November, and again in follow-up discussion in London a few days ago. I hope that we will be able to work out an international understanding. But, Mr. Chairman, there is absolutely no chance of doing so if the United States takes unilateral action to establish a reserve. Once we are committed by Congressional action to a food reserve of any consequence, our importer and exporter friends will find it convenient not to participate in an international reserve.

Now, what about the domestic consequences of a publicly-held food reserve? Since food security is not a problem for the United States, the basic reason for establishing a reserve would have to be one of reducing or minimizing price fluctuations. That it would do; after all, it did it successfully for many years. What farmer will forget the depressed prices he experienced all the years that we had a "domestic reserve"—called "surplus" then. We had stability, but that stability cost American farmers dearly. During the past few years we have moved out of that straitjacket into a market-oriented system, and farmers have enjoyed price levels beyond their most optimistic dreams of the '60's.

If we now return to a government-held reserve, make no mistake about it—we will have stability at low farm price levels.

Isolating the reserve from the market by establishing the resale price at a high level will not solve the problem, either. Several farm organizations have already testified in support of that concept. Nearly every time one of them does so, the price of grain drops another nickel because people in the grain business know it is impossible to isolate a reserve from the market.

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The minimum resale price can and will be changed if we have a "food shortage" in the future—or at least what someone defines as a "food shortage"—and farmers ought not deceive themselves by believing otherwise.

If we, as policy leaders, are sincerely interested in the vitality of the agricultural sector, I would suggest that one immediate contribution would be to remove the yoke of government infringement from additional commodities, thus enabling more farmers to capitalize on opportunity and efficiency.

This calls for the repeal of outdated rice legislation, and for devising a program for rice which encourages market expansion in response to the world's needs. Current rice legislation is not in the best interest of the farmer, the industry, the rice consumer or the general public. We recommend support of legislation such as S. 4121 of the 93rd Congress which is designed to bring rice legislation into line with the 1973 Farm Act, with these reservations:

That the target price for the 1975 crop be adjusted to 7 cents per pound.

That the disaster payment provision be stricken.

The target price would escalate in accordance with provisions in the proposed legislation. The bill also provides for price support through a loan at 60 percent of target price; authorizes acreage allotments to be sold and released within the boundaries of the State; authorizes a rice research program; authorizes a set-aside requirement, if needed; and affords price protection to the current allotment holders on a minimum of 2 million acres.

The proposed loan level provides a method for interim financing and a measure of price protection while encouraging rice production in response to domestic and foreign market demand. At the same time, it is not at such a high level that it would provide an incentive to produce for the Government loan.

The success of the Agriculture and Consumer Protection Act of 1973 with respect to the wheat, feed grain, and upland cotton programs should be extended to rice production. We need to assure the most efficient production possible by encouraging farmers in rice-growing areas who do not qualify for allotments under current legislation to produce rice to meet domestic and export demand for this commodity. Moreover, it is grossly unfair to deny any producer the opportunity to participate in the rice program on the basis of an antiquated law.

Likewise, we stand ready to cooperate with this Committee to revise peanut and ELS cotton legislation to bring these programs into phase with current programs for wheat, feed grains and upland cotton. This Administration feels strongly that in its review of agricultural policy, the Congress should review agricultural policy for all crops at one time.

The Administration favors an ELS cotton program incorporating the target price concept, which has worked successfully for upland cotton, loan levels which provide protection without subsidy, the removal of government restrictions from planting decisions, and restoration of initiative to the producer.

The support price for milk, under the Agricultural Act of 1949, must be set at a level between 80 and 90 percent of parity through March 31, 1975 (between 75 and 90 percent thereafter). The support for the balance of the 1974–75 marketing year and for the 1975–76 marketing year has already been set at $7.24 per hundredweight, about 80 percent of today's parity. This level, announced on January 3, is a substantial increase from the previous level of $6.57. It is above the minimum in the law, and it may not be lowered during the marketing year.

The higher support was necessary because farm milk prices declined contra-seasonally in December, at the very time when feed costs were reaching their peak. The new price level will help producers meet those higher costs and give them the assurance they need to continue in business.

This change demonstrates the desirable flexibility now provided in the statute, and we strongly believe that this flexibility, within the limits of 75 and 90 percent of parity, should be maintained. This permits the Secretary of Agriculture to adjust the price upward when needed, but does not require him to establish unrealistically higher support levels without regard to changing economic conditions.

Free of government restrictions on prices and production—including freedom from export controls and government-held reserves, which are just another form

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of price controls—the American farmer still faces great challenges in meeting the demands of today and tomorrow. One of these challenges is the growing problem of world hunger and population.

As I see it, uncontrolled population growth places a tremendous moral burden on the American people as a whole, and the American farmer in particular. Farmers everywhere produce food. But nowhere in the world is overall production of farm commodities so efficient as in American agriculture. Nowhere in the world is agricultural technology so highly developed as it is here.

We have a moral responsibility to pass on American technological know-how to the people in nations where it is most lacking, and where its lack is most critically felt. Until those nations have dramatically improved their productive output, we must help supply their needs through our exports and, in times of emergency, through donations. We in the United States cannot be our brothers' keeper forever, but we have a moral obligation to see that dire Malthusian predictions are never realized.

Consistent with this responsibility are the changes in our foreign food aid policy. After shipping the lowest level of P.L. 480 exports in 20 years in fiscal 1974—$850 million in commodity costs and a volume of 3.3 million tons—we are now projecting commodity exports valued at more than $1.4 billion and more than 5.6 million tons for fiscal 1975. The actual levels will depend upon our ability. along with that of the participating countries, to implement new country allocations resulting from the increase in the food aid budget. Moreover, at this time we foresee a greater volume of food assistance for next year although at reduced costs, as prices moderate.

These projections indicate the expectation that we are emerging from the tight commodity situation of the past two years that reduced availabilities for P.L. 480 programming.

If our expectations materialize, we need to formulate food aid policies and conduct development programs which will accelerate agricultural and economic growth in recipient countries. Such growth not only will foster peace and stability but will result in larger commercial markets for U.S. farmers.

The CHAIRMAN. We will stand in recess until 2 p.m. and then the Assistant Secretary, William Erwin, will be the witness at that time.

[Whereupon, the hearing recessed, to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

The CHAIRMAN. If the meeting will be in order, we're delighted to have the Assistant Secretary of Agricultures for Rural Development, Mr. William Erwin. You may proceed, Mr. Secretary.

STATEMENT OF WILLIAM ERWIN, ASSISTANT SECRETARY OF AGRICULTURE FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE

Mr. ERWIN. I have with me, Doctor Bostic, Deputy Assistant Secretary.

Mr. CHAIRMAN. Delighted to have you, Doctor.

Mr. ERWIN. Frank Naylor, the Associate Administrator of the Farmers Home Administration is here and we have several other people from the USDA here for technical inquiry.

Mr. Chairman and members of the committee: Your invitation to appear and discuss the credit situation in rural America is much appreciated. Certainly, it is one of today's key issues. The great variation in the credit situation from urban to rural, from large banks to small, and from commodity area to commodity area makes it essential to have an examination of the situation. I am pleased that you have undertaken these hearings and that you have invited me to be a part of them.

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Within the Department of Agriculture, there are two major agencies that are sources of credit—Farmers Home Administration and the Rural Electrification Administration.

Using calendar 1974 figures as the most recent available, Farmers Home Administration loans and grants totaled $4.4 billion, $1.1 billion above the figures for any previous calendar year. For the first time, housing loans exceeded $2 billion—reaching $2.168 billion. Loans in the farmer programs exceeded $1 billion for the second successive year, and for the first time, group loans—including the new community facility and business and industry loan programs—exceeded $1 billion.

I gave you these figures in some detail because they will help place the credit picture in perspective as we discuss relative activity of lenders.

For REA, in calendar 1974, $2.1 billion in loaned funds were made available to finance rural electric loans; $139.4 million in REA telephone loans; $154.8 million in Rural Telephone Bank loans, loan guarantee commitments of $1,075, and I think that's a misprint on some of the written copies. It should be $1,075 billion in the electric program and $32.8 million in the telephone program.

Supplemental electric loans of $116.7 million were made available from the National Rural Utilities Cooperative Finance Corp., and $4.3 million from the Bank for Cooperative and other lenders.

Budgets for both agencies for fiscal year 1976 will be presented in detail to the appropriate committees of Congress, and I can assure you that these credit agencies will move forward in their traditional roles during the coming year.

Most credit, of course, comes from the private sector. And, when one speaks of credit for rural America, the first inclination is to refer to agricultural credit, so I will focus on that.

The growth in agricultural credit provided by all lenders during the last several years has generally kept pace with overall demand for such credit. Farm mortgage debt outstanding by principal lenders has increased from $32.2 billion, January 1, 1972, to an estimated $47.4 billion on January 1, 1975. Also, nonreal estate debt outstanding by principal lenders has increased from $35.6 billion, January 1, 1972, to an estimated $47.5 billion on January 1, 1975. The farm credit banks and associations hold about 25 percent of the estimated $95 billion in agricultural debt held by all lenders on January 1, 1975.

Officials of the Federal Reserve System gave us a thumbnail sketch of the situation in the Chicago and Minnesota banks by saying that credit has been tight, but is turning toward an easier situation, especially in larger nonrural banks. For smaller banks, credit is tight and there will be a tendency toward limiting loans. Credit varies by commodity areas; requests for refinancing loans are high.

Credit demand is seen to continue strong. Production costs are up; it seems likely that planted crop acreage will be above that of last year. It is estimated that rates of interest on agricultural loans will remain high.

Since the focus of this committee is all rural credit, Farmers' Home Administration made a telephone survey of State directors to secure their impressions of the credit situation in their areas of responsibility. I emphasize that these are impressions gleaned from contact with

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lending agencies and the policies of private lenders currently in effect. There is, to my knowledge, nothing of a comprehensive statistical nature that will tell the credit story as of February 1975.

Comments of the State directors can be summarized in this way:

(1) Lending policies are very selective as to clientele served.

(2) Interest rates are relatively stable at 8 to 10 percent, although there has been a drop of less than 1 percent over the past 2 months.

(3) Lenders prefer short-term, 90-day, loans renewable at current interest rates.

(4) Rural lenders tend more toward stable rates and terms than urban lenders.

(5) Within the last 18 months, as credit tightened, sellers of farm supplies withdrew or restricted financing activities.

(6) Farm Real Estate: Federal Land Bank and individuals seem to have the most money available, although activity is only moderate. Housing: Best private sources are commercial banks and savings and loan associations, but activity is slow and high borrower equity is required. Farm Operating Credit: Both Production Credit Associations and commercial banks have been very selective in providing credit. Business and Industrial Loans: Activity is slow and is provided primarily by bank and individuals.

Turning to two facets of the Farmers' Home Administration program, let me mention the loan guarantees and participation lending.

In the guarantee program, the Farmers' Home Administration is authorized to guarantee a private lender against loss, reimbursing the lender for up to 90 percent of any loss that might be sustained on a guaranteed loan. This program, just 1 year old, is moving at about the same pace as a year ago.

Farmers Home Administration also makes loans in conjunction with private sources for farm ownership and operating purposes. In fiscal year 1972, $310 million was advanced to Farmers Home Administration borrowers by other lenders in cooperation with Farmers Home Administration. In fiscal year 1973, the figure was $488 million, last year, it reached $496 million. In the first 6 months of the present fiscal year, farm ownership participation is up, operating loan participation is steady, and the expectation is that there will be a slight gain in this fiscal year over last.

The experience with the guarantees and with participation indicates that lenders are responding in programs where their risk can be lessened or their security position can be strengthened with a loan guarantee.

We will be happy to answer any questions you may have.

The CHAIRMAN. Thank you, Mr. Secretary. This looks like you're making some progress.

I believe, at the request of your committee, your organization made a survey of the unmet needed credit needs of the Farmers Home Administration. I think our report was $107 million.

The Secretary, I believe, testified this morning that they thought it was $110 million.

Was that about right?

Mr. ERWIN. Yes, sir. I think it is correct that the original figure was $107 million and the request for OMB was $110 million.

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The CHAIRMAN. Don't you suspect that that figure is low, because the average farmer goes into a Farmers Home Administration office, and, if he hasn't any money, he would leave without filing an application, wouldn't he?

Mr. ERWIN. I would like, if I could, to refer to Frank Naylor of the Farmers Home Administration to tell you how that survey was made.

The CHAIRMAN. You may respond, sir.

STATEMENT OF FRANK W. NAYLOR, ASSOCIATE ADMINISTRATOR, FARMERS HOME ADMINISTRATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. NAYLOR. Mr. Chairman, the survey was requested from our State directors to give us the best evaluation of what they felt the credit needs from our Agency would be, in addition, to other sources that were available.

As a matter of Agency policy, we are accepting all applications that are being brought in for any loan program in our portfolio.

The CHAIRMAN. Now if a fellow just walks into your office and says, "I want to borrow some money," and the man says, "I haven't got any," he would walk out without filing an application, wouldn't he?

Mr. NAYLOR. That would be possible, Mr. Chairman.

However, our instructions to our people in the field are that they will take the application.

The CHAIRMAN. Take the application even if he informs them he hasn't any money?

Mr. NAYLOR. That would be correct, sir.

However, in the operating loan area, those funds have not yet been fully obligated. There are some States, in the Southeast particularly, who have early planting compared with the Midwest.

The survey summary was based on comparison of numbers of applications during fiscal year 1974 vs. 1975 as of December 31, 1974. Also included in this summary was a comparison of loan size of the two mentioned years. The shortage of operating loan funds did not appear until late November and December in the southeastern area of the country. We do not think that the numbers of applications filed in the mentioned timeframe were affected because of a shortage of funds since the funds shortage was not critical until nearly the end of the reporting period (12/31).

The CHAIRMAN. That's right. That's one of the things I was getting into, because time is of the essence now. They all start planting crops in South Georgia in the next 2 or 3 weeks.

Mr. NAYLOR. That's correct, Mr. Chairman. And there are a couple of States in that area, specifically North Carolina, which have extended their funds which are authorized to them, at this time. This is not true throughout the Southeast, but there are some spotty areas where this is true.

The CHAIRMAN. Are you transferring funds you have available from one State to another, as the need arises?

Mr. NAYLOR. We have apportioned funds in line with the normal planting seasons, and the Southeast, for example, has a much higher proportion of the total money made available to them in the second and third quarters.

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The CHAIRMAN. What about Georgia now? I get calls almost daily that they can't borrow money.

Mr. NAYLOR. What State?

The CHAIRMAN. Georgia. G-e-o-r-g-i-a.

Mr. NAYLOR. Yes, sir. I know that State well.

Georgia had $18.675 million available for the first three quarters of fiscal year 1975. As of the February 14 obligation report there was a very small balance remaining. Georgia will have an additional $1.8 million available at the start of the fourth quarter—April 1, 1975.

The CHAIRMAN. How much?

Mr. NAYLOR. The current obligation for the third quarter, Mr. Chairman, on Georgia—this is through the 14th of this month—has just brought them up through their third quarter allowances for the State of Georgia. They are effectively out of money at this time. The fourth quarter allocation would bring them up to a total of $19.5 million.

The CHAIRMAN. When will the fourth quarter allocation be released?

Mr. NAYLOR. It will be at the end of March, sir.

Mr. CHAIRMAN. It will be too late for South Georgia. Or can't you release it before then?

I am informed that Mr. McDuffy tries to do a good job in our State, says he is out of money, and will be out until his fourth quarter is released.

Mr. NAYLOR. That is correct, Mr. Chairman.

Mr. ERWIN. Mr. Chairman, we have asked OMB to release that early, and we don't have an answer as yet.

The CHAIRMAN. I have been talking with Mr. Lynn about it. And he said he's going to send up one of his top men. Have you heard from him?

Mr. ERWIN. Yes, we are meeting at 1:30 tomorrow.

The CHAIRMAN. And do you need a supplemental appropriation to take care of the Farmers Home Administration's unmet needs—this $107 million—this $110 million?

Mr. ERWIN. Yes, sir, prior to this year, we had the authority to do that. But the last budget indicated clearly that it would have to come to the Congress for approval.

The CHAIRMAN. Have you requested a supplemental appropriation?

Mr. ERWIN. We have. We forwarded that request to the Office of Management and Budget.

The CHAIRMAN. And they have not acted as yet?

Mr. ERWIN. No, sir, not to my knowledge.

The CHAIRMAN. They have what President Lincoln said his generals had—the "slows."

Mr. ERWIN. I don't think I could comment on that, Mr. Chairman.

The CHAIRMAN. Now what are you doing in the area of rural development?

Mr. ERWIN. You want a general statement?

The CHAIRMAN. I would like to have, first, a brief statement as to how much obligated and how many industrial plants, and so on—how many people are employed, on a State-by-State breakdown—the projects and the amount of the loans, grants, and guarantees.

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BUSINESS AND INDUSTRIAL LOANS COMMITTED FROM PROGRAM INCEPTION THROUGH DEC. 31, 1974

State	Number of loans	Estimated new jobs created	Committed amount
Alabama	7	121	$2,433,000
Alaska	3	7	225,000
Arizona	1	25	100,000
Arkansas	9	301	4,905,766
California	5	934	8,022,000
Colorado	4	39	2,364,291
Connecticut	2		345,000
Delaware	2	20	2,965,000
Florida	6	435	8,093,725
Georgia	6	428	4,480,479
Idaho	10	921	18,255,000
Illinois	15	390	7,016,100
Indiana	12	250	2,989,000
Iowa	4	258	2,478,000
Kansas	10	222	4,285,320
Kentucky	10	264	3,805,250
Louisiana	10	42	6,231,000
Maine	3	124	1,460,000
Maryland	3	99	1,775,000
Michigan	10	422	6,405,000
Minnesota	11	379	6,366,000
Mississippi	49	528	11,131,880
Missouri	20	251	4,503,500
Montana	11	31	920,000
New Hampshire	3	7	630,000
New Jersey	7	58	$1,538,000
New Mexico	9	174	1,299,000
New York	7	654	10,125,000
North Carolina	16	486	7,231,200
North Dakota	19	152	4,047,000
Ohio	11	62	3,928,000
Oklahoma	5	631	4,083,000
Oregon	8	228	5,354,000
Pennsylvania	4	416	2,875,000
Puerto Rico	4	130	1,950,000
South Carolina	11	335	3,383,000
South Dakota	6	349	2,291,500
Tennessee	11	92	13,526,000
Texas	22	1,085	31,449,200
Utah	1		124,000
Vermont	4	21	530,000
Virgin Islands	1	106	200,000
Virginia	7	424	3,428,000
Washington	3	52	2,427,000
West Virginia	10	18	1,269,000
Wisconsin	23	1,032	18,215,000
Wyoming	4	43	902,500
Total	419	13,046	232,360,711

Mr. ERWIN. While Dr. Bostic looks at the record, I will make some general comments, and we will give as much as we can here.

The CHAIRMAN. Make some general comments, and then we can put the details in the record if you like.

Mr. ERWIN. Fine.

Rural development has been moving, including the private sectors, extremely encouraging, because we see a turnaround in the 1970 to 1973 period, as compared to the prior periods in which we had a steady out migration. And the rural areas are growing more rapidly than the metropolitan areas. The rural areas adjacent to the growth centers, or metropolitan areas, are growing most rapidly. But, as a group, the isolated rural areas are now growing more rapidly than the metropolitan areas, so this is quite encouraging. The rate of new jobs created in the 1972–73 period was about twice as high in rural America as it was in the cities.

Now these are very encouraging signs. As to what is happening now in the current recession, it's difficult to read because it's going on right now. Historically, rural areas have, since World War II, ridden through the recessions a little bit better than the metropolitan areas. In some cases, considerably better.

There is some indication that the lumber industry and the mobile home industry were hit earlier and will respond earlier. But, in general, it appears that the rural areas will go through the recession somewhat better than the metopolitan areas.

Now, this is a little misleading, because there is some tendency when there is an unemployment situation to have some migration back on the part of the unemployed. So some of the statistics would be a little misleading. So, in general, rural development is moving quite well. All of the funds that were allocated to us under the Rural Development Act were extended, we think, well by the Farmers Home Administration.

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The CHAIRMAN. How many loans have you made for industrial projects?

Mr. ERWIN. Do either one of you gentlemen have a breakdown?

STATEMENT OF JAMES E. BOSTIC, DEPUTY ASSISTANT SECRETARY, RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE

Mr. BOSTIC. Yes. Through December 31, 1974, which would give us about 1 year, of program operation, we have made 419 loans. We have estimated that they have created about 13,000 new jobs.

The CHAIRMAN. That was loan guaranty; wasn't it?

Mr. ERWIN. Yes, sir.

Mr. BOSTIC. Yes, sir. That was loan guarantees.

The CHAIRMAN. How many grants have you made for water and sewage and community development situations?

Mr. BOSTIC. Let me see. [Referring to documents.]

OK; I've got it.

Mr. Chairman, I have the figures for this fiscal year—fiscal year 1975 through the 14th of February. This year we have $150 million in grants available, and we have obligated 501 grants, for a total amount of $91 million. We have yet to be obligated the rest of this fiscal year, about $59 million.

The CHAIRMAN. Would you provide for the record please—a State-by-State breakdown of loans, guarantees, grants, facilities, and amounts? [1]

Mr. ERWIN. All right.

The CHAIRMAN. So we can get an overall view of what you are doing.

My own thinking is that the best way to stimulate the economy, of course, is to get people jobs through the private sector. We've had 7½ million people unemployed. And there is a great human cry. And the President has recommended public service employment. If we employ those people at $5,000 a year, it would be $37,500 million. The big problem with public service jobs is: first, they are non-productive. Second, there is no way on Earth you can provide the resources to make a dent in the unemployed. But, when you create an industrial job, chances are you'll get your money back. You'll get a taxpayer, and the fellow's got a permanent job. So it seems to me to be idiotic in the extreme to be cutting back on these productive programs that would create jobs, and create useless public employment jobs.

Do you agree with that?

Mr. ERWIN. I think, in essence, you would agree with that.

The CHAIRMAN. Would you argue with the Budget Bureau about it?

Mr. ERWIN. I have from time to time, and I will in this area.

The CHAIRMAN. OK, good. I hope you will continue that. Anything else we need for the record for an overall view?

Senator Leahy has some questions he wanted answered.

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[1] See p. 1136.

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The CHAIRMAN. Mr. Erwin, the staff may submit some questions from Members for the record. And, when you respond, they will be inserted in the record as a part of your appearance.

Mr. ERWIN. I will, Mr. Chairman.

[Following are questions submitted by Senator Leahy to Mr. Erwin and his answers thereto.

Question. Isn't it true that Farmers Home Administration Operating loans are essentially credit of last resort? In other words, when a farmer gets such a loan it, generally, means he can't get credit elsewhere?

Answer. A basic eligibility requirement for an FmHA Operating loan is that the applicant not be able to obtain the credit that he needs from other sources. This has been a requirement since the program began many years ago. The FmHA does not compete with other lenders for these loans.

Question. Do you look on this as a welfare program?

Answer. We do not consider Operating loans as a welfare program. We feel a basic purpose of this program is to provide assistance to moderate to low-income family farmers who qualify for loans. The applicants must have a reasonable chance to be successful, the loan must be secured and the borrower pays interest. These loans can keep family farmers off welfare.

Question. My State Director says he wants to get rid of the deadwood. What do you consider deadwood?

Answer. FmHA will continue with a borrower as long as he has a reasonable chance to be successful and pay his debts. We continuously carry many delinquent accounts. However, in some cases it becomes obvious that the family cannot succeed due to the debtload, lack of adequate income due to poor production, poor management, low prices, high costs or other factors which cannot be corrected. In these cases, the only feasible solution is to liquidate the loan.

Question. Isn't it true that a high percentage of our dairy farmers are having trouble paying their debts—what with hay running at up to $110 a ton?

Answer. The increased cost of feed and the upward spiral of about all other farm operating costs is making it more difficult for dairy farmers to meet these costs and pay their debts. With this situation, maximum efficiency is a must for all farm operators.

Question. Do you consider these people to be deadwood?

Answer. Obviously, we do not consider farmers who are having financial difficulties due to circumstances beyond their control as deadwood.

Question. What is to keep FmHA from making loans of 18 months or 2 years for hay and other inputs?

Answer. Generally, we believe that loans for the costs of annual production inputs should be paid within the year the income is produced as a result of the loan. However, when a farmer has not been able to produce a normal crop of hay due to weather or other such conditions, a repayment period of longer than one year may be given a loan to purchase the needed hay. Loans for purchase of cattle, machinery and equipment, refinancing debts and other capital items may be scheduled for payment over a period up to seven years.

Question. Why do you suppose the State Director in my State won't do this?

Answer. We have fully discussed the feed situation in Vermont with Mr. Sprague. He understands that feed loans for hay that is normally produced on the farm may be scheduled for repayment in accordance with the borrower's ability to repay.

Question. Farm debt is estimated at $95 billion. This morning Secretary Butz estimated farm income would fall from $27 billion in 1974 to $20 billion in 1975. How much farm debt can be supported at 1975 income levels?

By private money markets?

By the farm credit system?

By Farmers Home?

The point is, is there going to be enough credit available to insure farmers can go for all-out production?

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Answer. We believe that the total credit available to farmers from private sources, the Farm Credit System and the Farmers Home Administration will, generally, be adequate to meet the needs this year. Due to the present economic conditions, FmHA has an increased demand for loans. As a result of this, we have requested that an additional $110 million in Operating loan funds be made available. As indicated earlier, though, there will be individual farmers who have reached the end of the line and will not be able to obtain credit due to the circumstances of their cases.

The CHAIRMAN. Thank you very much. We appreciate it.

[The following material was referred to on p 1133.]

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Report of Loan and Grant Obligations 1974 Fiscal Year Through June 30

U.S. DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION

[Summary of FHA loans and grants, fiscal year 1974 through June 30]

Type of loan	Estimated annual amount available	Number obligated	Loan obligations	Loan costs	Total	Unused funds
Farming:						
Total operating loans	$525,000,000	53,865	$524,993,821	$104,917	$525,098,738	$6,179
Operating loans		48,683	508,974,751	104,917	509,079,668	
Youth loans		5,182	16,019,070	0	16,019,070	
Emergency loans	300,000,000	22,434	128,336,769	109,963	128,446,732	171,663,231
Total farm ownership loans	352,162,000	11,997	352,161,430	1,154,466	353,315,896	570
Farm enterprise		11,742	344,613,710	1,145,147	345,758,857	
Nonfarm enterprise		255	7,547,720	9,319	7,557,039	
Recreation loans to individuals	986,100	25	986,090	31,658	1,017,748	10
Soil and water loans to individuals	3,627,200	481	3,627,200	4,271	3,631,471	0
Irrigation, drainage and soil conservation loans	523,000	7	523,000	0	523,000	0
Grazing association loans	2,826,700	12	2,826,700	2,519	2,829,219	0
Indian land tribe acquisition loans	9,850,000	9	9,850,000	0	9,850,000	0
Total	1,194,975,000	88,830	1,023,305,010	1,407,794	1,024,712,804	171,669,990
Housing:						
Individual sec. 502 loans	1,950,000,000	94,371	1,589,883,200	7,044,097	1,596,927,297	360,116,800
Individual sec. 504 loans	10,000,000	2,635	4,382,260	47,469	4,429,729	5,570,271
Rural rental housing loans	179,000,000	879	173,314,030	36,730	173,350,760	5,665,970

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Labor housing loans	10,000,000	76	10,000,000	9,683	10,009,683	0
Labor housing grants	10,081,000	11	10,080,730	0	10,080,730	270
Rural housing site loans	5,000,000	9	1,590,150	234	1,590,384	3,409,850
Self-help technical assistance grants	3,832,000	29	3,831,610	0	3,831,610	390
Self-help land development loans	900,000	1	246,400	0	246,400	653,600
Total	2,168,813,000	98,011	1,793,328,380	7,138,213	1,800,466,593	375,437,151
Community projects:						
Water and waste loans	470,000,000	1,326	469,999,095	0	469,999,095	905
Water and waste grants:						
Development—FHA	150,304,000	241	23,763,300	0	23,763,300	126,540,700
Other	15,890,000	94	10,342,288	0	10,342,288	5,547,712
Recreation loans to associations	25,000	1	25,000	64,451	89,451	0
Watershed loans	20,000,000	39	19,802,300	92	19,802,392	197,700
Flood prevention loans	400,000	0	0	0	0	400,000
Business and industrial development loans	200,000,000	399	199,980,545	0	199,980,545	19,455
Rural development grants	10,000,000	136	9,996,700	0	9,996,700	3,300
Community facility loans	50,000,000	102	49,830,700	0	49,830,700	169,300
Rural conservation and development loans	3,600,000	19	1,087,800	3,292	1,091,092	2,512,200
Total	920,219,000	2,357	784,827,728	67,835	784,895,563	135,391,272
Total all programs:						
Loans		188,687	3,543,446,490	8,613,842	3,552,060,332	
Grants		511	58,014,628		58,014,628	
Grand total		189,198	[1] 3,601,461,118	[1] 8,613,842	3,610,074,960	

[1] Excludes $13,459 in economic opportunity loan costs.

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OPERATING LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Total amount	Operating loans				Youth loans			
		Initial		Subsequent		Initial		Subsequent	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alabama	$11,079,560	586	$4,388,510	1,032	$6,519,250	91	$168,300	2	$3,500
Arizona	2,917,930	90	1,653,210	92	1,165,250	31	99,470	0	0
Arkansas	16,979,290	1,017	8,086,930	1,282	8,190,590	413	699,390	2	2,380
California	4,522,010	127	2,397,560	150	1,988,950	31	135,500	0	0
Hawaii	304,810	18	140,000	32	164,810	0	0	0	0
Nevada	914,250	28	541,900	35	367,150	3	5,200	0	0
Colorado	6,296,150	114	2,719,190	278	3,284,320	47	292,640	0	0
Delaware	785,760	37	478,600	31	307,000	1	160	0	0
Maryland	2,302,690	73	1,009,100	169	1,238,510	13	55,080	0	0
New Jersey	3,493,250	133	1,988,600	150	1,378,050	11	124,500	2	2,100
Florida	6,110,770	296	3,235,590	354	2,638,450	53	203,530	4	33,200
Georgia	20,537,640	636	8,729,070	1,072	11,522,650	135	279,050	11	6,870
Idaho	13,782,840	307	6,480,710	699	7,078,010	67	223,070	2	1,050
Illinois	13,269,060	338	5,386,950	872	7,822,010	20	57,100	1	3,000
Indiana	10,317,250	262	5,495,320	397	4,540,620	52	276,910	3	4,400
Iowa	16,840,360	422	9,975,850	938	6,717,340	40	144,770	1	2,400
Kansas	12,417,960	417	6,990,440	543	4,456,240	379	955,690	7	15,590
Kentucky	11,954,830	948	7,242,490	876	4,285,430	202	411,360	3	15,550
Louisiana	22,333,640	928	9,362,690	1,187	12,298,450	262	665,800	3	6,700
Maine	13,820,210	272	4,062,620	950	9,710,880	31	46,660	1	50
Michigan	12,678,090	281	7,778,130	448	4,549,170	39	350,290	1	500
Minnesota	16,725,850	477	8,698,960	967	7,370,100	139	648,790	1	8,000

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Mississippi	22, 864, 370	1, 313	12, 710, 250	1, 136	8, 802, 410	732	1, 339, 410	3	12, 300
Missouri	20, 987, 410	763	11, 227, 230	1, 060	8, 431, 960	354	1, 275, 470	15	52, 750
Montana	8, 418, 570	137	3, 324, 820	473	4, 849, 160	49	242, 190	3	2, 400
Nebraska	10, 746, 528	202	4, 640, 488	692	5, 502, 400	175	596, 640	5	7, 000
New Mexico	4, 367, 770	187	2, 044, 750	203	2, 102, 290	40	220, 730	0	0
New York	10, 997, 070	282	6, 873, 660	666	3, 840, 460	39	282, 950	0	0
North Carolina	29, 159, 290	1, 494	11, 369, 490	2, 529	17, 622, 190	84	161, 910	4	5, 700
North Dakota	13, 538, 990	311	6, 680, 750	823	6, 726, 540	36	131, 700	0	0
Ohio	6, 102, 120	167	3, 606, 520	278	2, 407, 180	32	88, 420	0	0
Oklahoma	23, 327, 993	662	11, 261, 523	1, 112	10, 487, 870	312	1, 538, 250	5	40, 350
Oregon	4, 473, 850	123	2, 137, 070	190	2, 164, 220	72	171, 660	2	900
Alaska	81, 850	3	24, 350	5	57, 500	0	0	0	0
Pennsylvania	7, 660, 830	207	5, 273, 200	305	2, 254, 750	30	132, 880	0	0
South Carolina	11, 888, 020	782	5, 599, 520	826	5, 761, 780	116	512, 420	3	14, 300
South Dakota	21, 462, 260	481	11, 937, 690	1, 095	8, 077, 980	320	1, 426, 290	7	20, 300
Tennessee	9, 817, 290	480	4, 487, 390	741	5, 209, 310	80	118, 290	1	2, 300
Texas	43, 259, 310	1, 479	23, 926, 020	2, 060	18, 770, 890	179	560, 900	1	1, 500
Utah	3, 916, 340	120	1, 678, 710	265	2, 019, 800	80	217, 580	1	250
Vermont	3, 794, 030	94	1, 991, 870	308	1, 779, 410	8	22, 750	0	0
Connecticut	814, 600	26	471, 300	41	340, 300	3	3, 000	0	0
Massachusetts	549, 600	20	336, 550	30	209, 050	1	4, 000	0	0
New Hampshire	555, 830	18	246, 300	57	309, 530	0	0	0	0
Rhode Island	160, 090	7	98, 740	7	48, 100	6	13, 250	0	0
Virginia	5, 852, 930	350	2, 922, 680	466	2, 868, 410	27	61, 840	0	0
Washington	6, 925, 870	140	2, 878, 370	315	3, 955, 700	23	91, 800	0	0
West Virginia	4, 034, 550	313	1, 941, 980	394	2, 032, 610	29	59, 960	0	0
Wisconsin	23, 454, 890	528	17, 310, 670	866	6, 058, 220	37	86, 000	0	0
Wyoming	4, 070, 330	89	1, 816, 400	220	1, 753, 700	138	498, 280	4	1, 950
Puerto Rico	1, 316, 540	295	993, 210	85	273, 380	22	49, 950	0	0
Virgin Islands	10, 500	1	10, 500	0	0	0	0	0	0
U.S. total	524, 993, 821	18, 881	266, 664, 421	29, 802	242, 310, 330	5, 084	15, 751, 780	98	267, 290

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EMERGENCY LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Total amount (1)	Initial: Number (2)	Initial: Amount (3)	Subsequent: Number (4)	Subsequent: Amoun (5)
Alabama	$3, 052, 120	396	$3, 044, 080	4	$8, 040
Arizona	381, 300	1	60, 500	4	320, 800
Arkansas	151, 250	27	82, 750	12	68, 500
California	1, 685, 579	354	1, 562, 379	7	163, 200
Hawaii	1, 800	1	1, 800	0	0
Nevada	0	0	0	0	0
Colorado	183, 140	35	183, 140	0	0
Delaware	2, 080	1	2, 080	0	0
Maryland	0	0	0	0	0
New Jersey	18, 100	1	600	2	17, 500
Florida	117, 000	2	117, 000	0	0
Georgia	872, 510	65	869, 010	1	3, 500
Idaho	158, 350	3	94, 500	2	63, 850
Illinois	10, 817, 723	1, 518	10, 811, 623	3	6, 100
Indiana	2, 542, 670	177	2, 530, 320	2	12, 350
Iowa	7, 782, 049	4, 388	7, 777, 489	2	4, 560
Kansas	79, 310	11	79, 310	0	0
Kentucky	2, 924, 074	340	2, 924, 074	0	0
Louisiana	26, 018, 392	3, 081	25, 761, 486	41	256, 906
Maine	23, 000	4	23, 000	0	0
Michigan	5, 660, 720	905	5, 632, 020	2	28, 700
Minnesota	75, 820	9	75, 820	0	0
Mississippi	10, 087, 823	808	9, 379, 333	18	708, 490
Missouri	8, 483, 587	2, 545	8, 234, 627	20	248, 960
Montana	0	0	0	0	0
Nebraska	48, 500	4	48, 500	0	0
New Mexico	1, 995, 810	578	1, 995, 810	0	0
New York	7, 160, 900	81	986, 050	88	6, 174, 850
North Carolina	232, 480	19	95, 880	9	136, 600
North Dakota	230, 000	24	230, 000	0	0
Ohio	354, 585	34	348, 185	1	6, 400
Oklahoma	1, 425, 958	147	948, 118	24	477, 840
Oregon	390, 830	40	293, 010	4	97, 820
Alaska	0	0	0	0	0
Pennsylvania	12, 500	1	300	3	12, 200
South Carolina	1, 490, 000	94	1, 076, 000	4	414, 000
South Dakota	213, 320	24	213, 320	0	0
Tennessee	5, 575, 833	1, 064	5, 441, 038	12	134, 795
Texas	8, 262, 346	1, 840	7, 076, 585	131	1, 185, 761
Utah	10, 175	3	10, 175	0	0
Vermont	163, 650	34	150, 150	5	13, 500
Connecticut	1, 316, 950	77	1, 308, 450	1	8, 500
Massachusetts	425, 121	40	425, 121	0	0
New Hampshire	38, 200	7	29, 000	3	9, 200
Rhode Island	1, 000	1	1, 000	0	0
Virginia	112, 500	1	39, 000	4	73, 500
Washington	1, 093, 860	78	769, 860	18	324, 000
West Virginia	0	0	0	0	0
Wisconsin	12, 835, 380	2, 320	12, 827, 380	1	8, 000
Wyoming	652, 770	23	652, 770	0	0
Puerto Rico	3, 175, 704	810	3, 149, 014	8	26, 690
Virgin Islands	0	0	0	0	0
U.S. total	128, 336, 769	22, 016	117, 361, 657	418	10, 975, 112

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U.S. DEPARTMENT OF AGRICULTURE FARMERS HOME ADMINISTRATION, CUMULATIVE GUARANTEED LOANS AND GRANTS OBLIGATED—FISCAL YEAR 1974 THROUGH JUNE 30, (INCLUDED IN PAGES 2 THROUGH 3)

[Amounts in thousands of dollars]

State offices	Operating type loans excluding youth loans				Emergency loans				Youth loans			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
U.S. total	527	15,229	10	133								
Alabama	1	50										
Arkansas	2	22										
Colorado	3	96										
Delaware office	1	50										
New Jersey	1	50										
Georgia	5	85										
Idaho	1	16										
Illinois	12	350	1	23								
Iowa	13	280										
Kansas	73	1,864	1	14								
Michigan	7	250										
Minnesota	4	112										
Mississippi	13	335										
Missouri	1	6										
Montana	6	121	1	15								
Nebraska	47	1,525										
New Mexico	2	22										
New York	3	115										
North Carolina	6	153										
North Dakota	45	1,043	2	50								
Oklahoma	7	217										
Oregon office	2	95										
Oregon	2	95										
Pennsylvania	7	180										
South Carolina	9	52										
South Dakota	143	4,692	1	3								
Texas	54	1,404	2	17								
Utah	1	21										
Wisconsin	57	2,027	2	12								
Wyoming	2	48										

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FARM OWNERSHIP LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Total amount	Farm enterprises				Nonfarm enterprises only			
		Initial		Subsequent		Initial		Subsequent	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alabama	7,101,250	213	5,622,460	92	1,292,690	7	154,000	2	32,100
Arizona	3,107,260	44	2,714,420	19	368,240	1	16,000	1	8,600
Arkansas	12,261,260	399	9,304,770	172	2,768,490	6	173,500	2	14,500
California	3,040,870	57	2,652,720	15	371,550	0	0	1	16,600
Hawaii	192,500	3	155,500	2	37,000	0	0	0	0
Nevada	492,200	8	386,500	5	105,700	0	0	0	0
Colorado	6,337,700	105	5,245,450	46	1,070,750	0	0	1	21,500
Delaware	444,000	10	363,000	5	69,000	1	12,000	0	0
Maryland	1,989,820	33	1,554,590	19	435,230	0	0	0	0
New Jersey	1,063,500	22	911,500	6	152,000	0	0	0	0
Florida	3,374,330	92	2,772,410	32	596,920	0	0	1	5,000
Georgia	8,027,660	152	5,995,020	85	1,679,170	7	227,890	6	125,580
Idaho	11,383,600	179	8,068,830	134	3,110,520	4	204,250	0	0
Illinois	12,141,870	299	10,918,210	66	1,201,160	2	22,500	0	0
Indiana	10,843,150	274	9,700,640	49	1,071,110	1	65,200	1	6,200
Iowa	15,755,190	364	13,794,260	67	1,521,680	10	439,250	0	0
Kansas	14,336,130	375	11,494,360	139	2,631,960	7	186,040	2	23,770
Kentucky	11,317,550	361	10,172,820	64	1,045,400	6	97,230	1	2,100
Louisiana	5,760,400	112	4,428,180	48	1,318,720	1	13,500	0	0
Maine	4,613,020	89	2,817,830	91	1,597,960	4	128,030	7	69,200
Michigan	7,232,910	130	5,944,590	55	1,062,320	2	200,000	1	26,000
Minnesota	14,655,750	360	12,322,010	144	2,235,390	4	64,700	2	33,650

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Mississippi	10,508,460	307	8,674,050	99	1,592,830	4	104,890	6	136,600
Missouri	15,569,450	468	13,535,970	97	1,784,670	7	113,190	5	135,620
Montana	6,309,350	102	5,051,650	49	1,031,950	4	166,000	4	59,750
Nebraska	15,371,340	343	13,053,280	96	2,263,060	2	55,000	0	0
New Mexico	2,493,240	57	1,949,600	20	421,140	2	52,500	2	70,000
New York	6,614,640	169	5,417,040	64	1,009,800	2	140,000	2	47,800
North Carolina	9,671,020	265	6,972,330	166	2,010,790	9	493,710	14	194,190
North Dakota	12,614,590	316	9,790,120	148	2,684,970	3	104,200	2	35,300
Ohio	5,358,770	113	4,715,570	28	383,380	6	259,820	0	0
Oklahoma	16,055,690	439	12,555,580	118	2,755,200	17	619,350	8	125,560
Oregon	4,934,700	86	3,829,820	40	856,780	4	202,000	4	46,100
Alaska	0	0	0	0	0	0	0	0	0
Pennsylvania	5,269,880	93	4,407,740	32	715,240	3	146,900	0	0
South Carolina	4,257,350	111	3,124,740	48	798,990	7	293,270	2	40,350
South Dakota	15,226,400	392	11,690,150	187	3,253,450	5	277,800	1	5,000
Tennessee	9,377,060	279	7,761,380	78	1,461,220	5	154,460	0	0
Texas	15,169,040	438	13,448,980	75	1,706,060	0	0	1	14,000
Utah	3,127,030	42	2,017,600	39	905,130	2	60,800	5	143,500
Vermont	3,838,330	59	2,843,580	57	792,210	3	151,540	2	51,000
Connecticut	554,900	11	422,400	5	132,500	0	0	0	0
Massachusetts	221,400	7	147,200	3	74,200	0	0	0	0
New Hampshire	363,140	8	298,840	5	64,300	0	0	0	0
Rhode Island	49,500	1	49,500	0	0	0	0	0	0
Virginia	3,931,730	108	3,452,090	25	479,640	0	0	0	0
Washington	5,374,470	86	4,048,050	61	1,126,050	4	137,400	3	62,970
West Virginia	2,742,310	93	2,149,400	23	431,010	4	104,500	2	57,400
Wisconsin	15,576,490	334	11,939,090	214	3,464,630	2	115,000	2	57,770
Wyoming	2,952,230	39	2,059,200	32	798,530	1	45,500	1	49,000
Puerto Rico	3,157,000	120	2,906,230	11	221,770	2	29,000	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0
U.S. Total	352,161,430	8,567	285,651,250	3,175	58,962,460	161	5,831,010	94	1,716,710

U.S. DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION

[Amounts in thousands of dollars]

State offices	Cumulative guaranteed loans and grants obligated—fiscal year 1974 through June 30							
	Farm ownership farm enterprise				Farm ownership nonfarm enterprise			
	Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
U.S. total	14	773	2	13				
Delaware office	1	80						
Maryland	1	80						
Kansas	1	26						
Minnesota	1	39						
Mississippi	1	25	1	8				
Missouri	1	43						
New York	1	90						
Ohio	4	311	1	5				
Oklahoma	1	16						
South Dakota	2	113						
Wisconsin	1	30						

RECREATION LOANS TO INDIVIDUALS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Total amount	Initial		Subsequent	
		Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)
Indiana	$26,400	1	$13,000	2	$13,400
Maine	83,500	2	37,000	1	46,500
Mississippi	50,370	1	50,370	0	0
Missouri	20,000	0	0	1	20,000
Montana	20,000	1	20,000	0	0
New York	22,000	1	22,000	0	0
North Carolina	146,350	3	127,350	2	19,000
Oklahoma	36,000	1	36,000	0	0
Pennsylvania	100,000	1	100,000	0	0
South Carolina	54,170	1	54,170	0	0
South Dakota	50,000	0	0	1	50,000
Washington	129,000	2	129,000	0	0
Wyoming	13,300	0	0	1	13,300
Puerto Rico	235,000	3	235,000	0	0
U.S. Total	986,090	17	823,890	8	162,200

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SOIL AND WATER LOANS TO INDIVIDUALS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Soil and water to individuals				
		Initial		Subsequent	
	Total amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)
Alabama	$94,500	29	$78,750	2	$15,750
Arkansas	279,860	50	230,280	9	49,580
Hawaii	10,000	2	10,000	0	0
Florida	9,800	2	9,800	0	0
Georgia	252,960	12	252,960	0	0
Idaho	482,370	22	402,750	3	79,620
Indiana	25,500	5	25,500	0	0
Iowa	98,180	10	98,180	0	0
Kansas	106,400	4	106,400	0	0
Kentucky	119,110	42	98,760	5	20,350
Louisiana	85,140	15	84,640	1	500
Maine	13,000	4	13,000	0	0
Mississippi	86,020	16	86,020	0	0
Missouri	462,310	77	396,010	12	66,300
Montana	270,600	22	246,500	2	24,100
Nebraska	55,000	3	55,000	0	0
New Mexico	60,650	8	43,250	2	17,400
New York	3,300	2	3,300	0	0
North Carolina	3,680	1	3,680	0	0
North Dakota	81,800	5	81,800	0	0
Ohio	19,800	3	19,800	0	0
Oklahoma	412,860	34	356,370	3	56,490
Oregon	4,000	1	4,000	0	0
South Carolina	720	1	720	0	0
South Dakota	25,900	4	25,900	0	0
Tennessee	32,200	6	30,700	1	1,500
Texas	186,490	23	173,690	2	12,800
Utah	212,800	6	185,500	1	27,300
Washington	69,230	4	69,230	0	0
Wisconsin	52,820	18	45,320	1	7,500
Wyoming	4,100	1	4,100	0	0
Puerto Rico	6,100	4	4,900	1	1,200
U.S. total	3,627,200	436	3,246,810	45	380,390

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RURAL HOUSING SEC. 504 LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Initial		Subsequent	
	Number (1)	Amount (2)	Number (3)	Amount (4)
labama	121	$237, 910	26	$25, 680
rizona	0	0	0	0
rkansas	65	116, 940	24	24, 800
alifornia	11	16, 050	2	1, 550
Hawaii	2	5, 000	0	0
Nevada	0	0	0	0
olorado	19	30, 140	1	1, 300
elaware	7	23, 370	0	0
Maryland	25	61, 230	1	220
New Jersey	2	2, 800	3	2, 750
lorida	8	14, 390	1	210
eorgia	31	55, 850	7	5, 050
daho	2	4, 100	2	3, 130
llinois	11	22, 700	2	670
ndiana	5	2, 930	3	1, 850
owa	28	35, 680	5	1, 820
ansas	5	4, 480	3	1, 860
entucky	348	628, 640	89	73, 410
ouisiana	34	43, 830	12	8, 920
laine	80	180, 470	21	21, 850
lichigan	18	34, 950	2	2, 100
linnesota	9	21, 220	0	0
lississippi	137	313, 510	13	15, 710
lissouri	115	154, 660	36	25, 350
lontana	2	2, 000	1	320
lebraska	2	4, 050	1	600
lew Mexico	120	252, 990	39	44, 180
lew York	9	24, 430	1	470
lorth Carolina	91	208, 060	13	11, 950
lorth Dakota	3	2, 760	2	1, 150
hio	8	9, 260	4	2, 750
klahoma	44	64, 810	11	5, 980
regon	18	26, 640	1	550
Alaska	2	5, 100	0	0
ennsylvania	18	30, 940	4	2, 600
outh Carolina	53	97, 230	6	8, 110
outh Dakota	11	16, 890	2	1, 500
ennessee	45	64, 740	8	5, 770
exas	290	489, 900	70	54, 850
tah	4	4, 120	0	0
ermont	10	18, 160	1	800
Massachusetts	2	5, 000	0	0
New Hampshire	4	8, 400	0	0
Rhode Island	1	2, 500	0	0
irginia	26	52, 710	6	6, 060
ashington	7	16, 560	1	1, 000
est Virginia	56	118, 060	9	11, 050
isconsin	19	42, 110	5	4, 670
yoming	2	3, 750	1	600
uerto Rico	255	408, 350	11	8, 700
Virgin Islands	0	0	0	0
U.S. total	2, 185	3, 990, 370	450	391, 890

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RURAL HOUSING SEC. 502 LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Total amount	Total[1] Initial Number	Total[1] Initial Amount	Total[1] Subsequent Number	Total[1] Subsequent Amount	Senior citizens only Initial Number	Senior citizens only Initial Amount	Senior citizens only Subsequent Number	Senior citizens only Subsequent Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alabama	$24,254,060	1,605	$23,946,190	100	$307,870	105	$1,400,220	12	$35,310
Arizona	22,831,600	1,196	22,690,450	54	141,150	24	419,920	6	6,340
Arkansas	35,642,200	2,363	35,246,410	153	395,790	127	1,731,300	14	14,370
California	43,238,370	2,212	42,951,680	98	286,690	108	1,813,890	3	5,450
Hawaii	9,299,220	344	9,271,420	4	27,800	39	873,760	1	2,200
Nevada	2,493,240	109	2,476,540	5	16,700	0	0	0	0
Colorado	22,670,740	1,098	22,299,430	93	371,310	9	172,200	3	6,250
Delaware	8,505,520	420	8,434,790	33	70,730	0	0	0	0
Maryland	25,876,260	1,210	25,636,030	78	240,230	12	224,920	0	0
New Jersey	32,655,500	1,453	32,042,280	157	613,220	7	123,740	4	6,700
Florida	55,366,370	2,967	55,222,300	50	144,070	65	1,090,430	4	13,950
Georgia	33,514,890	2,014	33,051,280	193	463,610	49	748,870	6	8,340
Idaho	58,265,130	2,703	57,088,330	269	1,176,800	33	618,560	5	12,180
Illinois	46,208,070	2,443	45,354,600	266	853,470	24	398,690	3	4,950
Indiana	49,745,390	2,883	48,851,730	344	893,660	20	289,870	5	5,050
Iowa	35,084,430	2,202	34,109,420	298	975,010	26	277,650	8	19,270
Kansas	17,501,540	1,212	17,160,710	102	340,830	16	125,870	6	11,350
Kentucky	42,040,070	2,459	41,705,410	131	334,660	61	924,540	12	19,700
Louisiana	14,248,610	938	14,096,120	52	152,490	49	644,420	5	4,920
Maine	71,363,430	3,258	69,881,640	429	1,481,790	16	191,300	2	5,100
Michigan	67,992,340	3,441	67,240,330	255	752,010	17	327,040	4	9,610
Minnesota	18,072,150	1,005	17,606,270	86	465,880	9	105,780	1	5,890
Mississippi	54,982,730	3,275	54,184,050	244	798,680	317	4,743,280	25	82,660
Missouri	26,288,970	1,608	25,555,980	237	732,990	52	685,840	18	32,280
Montana	5,934,240	326	5,855,140	19	79,100	6	68,580	0	0
Nebraska	14,435,600	812	13,942,880	111	492,720	7	63,200	0	0
New Mexico	11,049,650	693	10,941,240	44	108,410	19	263,990	3	12,320
New York	40,477,310	2,178	39,842,660	212	634,650	8	130,090	4	9,750
North Carolina	89,894,830	4,740	88,438,250	584	1,456,580	122	2,020,020	27	71,220
North Dakota	11,706,290	657	11,130,660	105	575,630	9	160,700	2	7,850
Ohio	48,711,880	2,666	48,293,300	202	418,580	23	355,270	6	7,790
Oklahoma	37,152,456	2,532	36,563,880	170	588,570	95	1,098,930	14	39,400
Oregon	22,685,560	1,165	22,519,760	53	165,800	36	621,210	6	27,300
Alaska	3,739,010	129	3,690,360	10	48,650	3	53,750	0	0
Pennsylvania	30,279,360	1,514	29,974,270	149	305,090	10	153,300	2	1,600
South Carolina	38,548,770	2,323	38,090,040	196	458,730	81	1,163,500	14	19,060

See footnote at end of table.

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RURAL HOUSING SEC. 502 LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30—Continued

State	Total amount	Total[1]				Senior citizens only			
		Intial		Subsequent		Initial		Subsequent	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
South Dakota	$8,622,020	585	$8,035,050	105	$586,970	12	$121,560	4	$24,200
Tennessee	57,045,170	3,583	56,218,670	283	826,500	115	1,535,370	15	34,900
Texas	33,669,850	2,063	33,191,530	146	478,320	118	1,413,790	9	10,910
Utah	28,974,010	1,368	28,552,710	77	421,300	7	114,330	2	10,700
Vermont	16,333,970	901	15,879,510	172	454,460	5	57,180	0	0
Connecticut	11,348,490	506	11,248,440	37	100,050	0	0	1	2,500
Massachusetts	11,500,300	557	11,412,810	33	87,490	1	12,000	1	1,850
New Hampshire	7,858,120	411	7,572,560	123	285,560	2	34,000	3	3,500
Rhode Island	3,777,880	173	3,762,630	10	15,250	1	23,700	0	0
Virginia	111,801,180	5,630	110,627,930	466	1,173,250	158	2,658,270	14	23,170
Washington	24,918,840	1,363	24,408,690	190	510,150	16	202,580	2	3,250
West Virginia	42,587,380	2,322	42,110,020	150	477,360	39	627,380	2	22,600
Wisconsin	25,150,410	1,226	24,297,050	213	853,360	7	116,200	4	6,600
Wyoming	8,263,820	455	7,990,670	61	273,150	6	85,360	1	2,500
Puerto Rico	22,706,170	1,133	22,392,580	172	313,590	49	883,040	1	5,000
Virgin Islands	2,569,810	114	2,551,810	4	18,000	5	93,500	1	1,000
U.S. total	1,589,883,200	86,543	1,565,638,490	7,828	24,244,710	2,145	32,062,890	285	660,840

[1] Includes senior citizen, self help, emergency, special section 502 and interest credit agreement loans (see tables 9 and 10).

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RURAL HOUSING SECTION 502 EMERGENCY, SELF-HELP AND SPECIAL LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

[Included in table 8]

State	Emergency loans				Self-help loans				Special loans			
	Initial		Subsequent		nitial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	0	0	0	0	42	$530,200	9	$9,910	5	$11,270	2	$2,700
Arizona	0	0	0	0	78	1,064,310	1	2,500	0	0	0	0
Arkansas	0	0	0	0	0	0	0	0	15	43,760	1	2,220
California	0	0	0	0	293	4,653,070	22	44,250	1	1,330	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0	0	0	0
Colorado	0	0	0	0	13	235,910	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	1	1,900
Maryland	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0
Florida	0	0	0	0	47	681,330	6	10,520	2	7,000	1	1,150
Georgia	0	0	0	0	0	0	0	0	1	1,250	0	0
Idaho	0	0	0	0	1	22,220	0	0	1	1,000	0	0
Illinois	0	0	0	0	4	70,000	0	0	0	0	0	0
Indiana	0	0	0	0	0	0	0	0	0	0	0	0
Iowa	0	0	0	0	0	0	0	0	2	5,800	0	0
Kansas	0	0	0	0	0	0	0	0	5	10,700	0	0
Kentucky	0	0	0	0	0	0	0		35	91,660	5	6,170
Louisiana	0	0	0	0	0	0	0	0	6	16,460	0	0
Maine	0	0	0	0	0	0	0	0	17	50,300	3	6,920
Michigan	0	0	0	0	5	94,890	0	0	1	3,000	0	0
Minnesota	0	0	0	0	0	0	0	0	2	5,500	0	0
Mississippi	0	0	0	0	23	309,560	6	7,200	4	10,700	2	3,970
Missouri	0	0	0	0	3	52,150	0	0	9	16,700	3	4,160
Montana	0	0	0	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	2	4,430	0	0
New Mexico	0	0	0	0	16	235,050	0	0	12	31,300	4	6,820
New York	0	0	0	0	7	135,100	6	5,290	2	3,950	1	750
North Carolina	0	0	0	0	27	419,560	13	17,390	29	79,660	5	7,420
North Dakota	0	0	0	0	39	747,550	0	0	1	6,500	3	3,700
Ohio	0	0	0	0	6	124,550	0	0	1	2,200	0	0
Oklahoma	0	0	0	0	23	298,090	1	1,200	9	27,350	2	830
Oregon	0	0	0	0	11	201,100	7	16,100	1	330	0	0
Alaska	0	0	0	0	0	0	0	0	0	0	0	0

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RURAL HOUSING SECTION 502 EMERGENCY, SELF-HELP AND SPECIAL LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30—Continued

[Included in table 8]

State	Emergency loans				Self-help loans				Special loans			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania	0	0	0	0	0	0	0	0	3	$5,970	1	$1,000
South Carolina	0	0	0	0	0	0	0	0	1	3,500	0	0
South Dakota	0	0	0	0	30	$536,260	0	0	1	3,300	0	0
Tennessee	0	0	0	0	0	0	0	0	7	18,900	0	0
Texas	0	0	0	0	7	98,260	0	0	75	230,240	5	8,400
Utah	0	0	0	0	19	365,350	2	$7,400	0	0	0	0
Vermont	0	0	0	0	0	0	1	3,000	0	0	0	0
Connecticut	0	0	0	0	19	427,700	10	19,800	0	0	0	0
Massachusetts	0	0	0	0	13	260,710	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	10	32,000	1	1,300
Washington	0	0	0	0	61	981,890	73	177,720	1	2,500	0	0
West Virginia	0	0	0	0	0	0	0	0	14	40,410	2	2,800
Wisconsin	0	0	0	0	86	1,807,400	15	27,420	1	3,500	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0
Puerto Rico	1	$3,800	0	0	1	11,400	0	0	24	84,000	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0
U.S. total	1	3,080	0	0	874	14,363,590	172	349,700	301	856,470	42	62,200

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RURAL HOUSING INTEREST CREDIT AGREEMENT LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30
[Included in tables 7 and 9]

State	Initial Number (1)	Initial Amount (2)	Subsequent Number (3)	Subsequent Amount (4)
Alabama	575	$7,916,830	13	$31,160
Arizona	825	15,729,340	3	26,340
Arkansas	1,350	21,405,420	22	32,940
California	1,448	27,950,200	15	84,150
Hawaii	136	3,726,570	0	0
Nevada	36	876,500	0	0
Colorado	460	9,584,810	23	108,140
Delaware	184	3,828,520	3	14,510
Maryland	444	9,519,720	5	11,300
New Jersey	446	9,903,050	11	85,750
Florida	1,547	28,867,700	8	17,430
Georgia	821	13,397,390	22	28,450
Idaho	1,405	31,453,110	53	258,480
Illinois	872	17,550,130	33	116,190
Indiana	991	18,057,370	45	128,510
Iowa	427	7,345,910	21	60,980
Kansas	199	3,546,850	7	59,800
Kentucky	1,268	22,824,100	15	31,530
Louisiana	517	8,115,830	4	10,300
Maine	2,103	48,013,900	27	138,600
Michigan	792	15,374,600	42	180,680
Minnesota	246	4,679,280	12	43,950
Mississippi	2,107	35,028,920	28	121,130
Missouri	679	11,440,830	25	58,960
Montana	95	1,803,730	0	0
Nebraska	273	5,739,110	16	98,340
New Mexico	341	6,087,920	7	27,370
New York	446	8,397,760	12	47,280
North Carolina	1,883	35,045,960	88	297,130
North Dakota	248	5,238,150	14	81,510
Ohio	1,098	20,725,080	26	79,910
Oklahoma	842	13,314,940	19	44,270
Oregon	755	15,029,890	8	55,100
Alaska	28	848,900	0	0
Pennsylvania	403	8,375,540	10	28,720
South Carolina	1,010	16,820,830	53	134,900
South Dakota	165	2,715,920	7	32,500
Tennessee	1,418	22,443,930	18	53,550
Texas	858	14,479,700	12	33,950
Utah	769	15,892,020	15	81,190
Vermont	272	4,809,380	8	29,390
Connecticut	102	2,172,000	2	12,600
Massachusetts	171	3,230,790	1	6,500
New Hampshire	113	1,928,830	4	16,500
Rhode Island	98	2,198,260	1	3,300
Virginia	2,943	58,088,140	61	226,700
Washington	457	8,168,860	15	28,620
West Virginia	978	18,784,920	15	41,740
Wisconsin	482	10,119,300	10	43,720
Wyoming	114	2,050,360	3	10,570
Puerto Rico	969	19,939,610	65	150,670
Virgin Islands	69	1,529,610	1	6,000
U.S. total	37,238	702,116,320	928	3,321,310

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RURAL HOUSING SITE LOANS AND GRANTS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

	Site loans				Technical assistance grants				Self-help land development loans	
	Initial		Subsequent		Initial		Subsequent		Initial	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Alabama	0	0	0	0	1	$110,000	3	$196,330	0	0
Arizona	1	$97,000	0	0	2	222,100	0	0	0	0
California	0	0	0	0	1	250,000	2	800,000	1	$246,400
Connecticut	0	0	0	0	1	89,940	0	0	0	0
Florida	0	0	0	0	2	346,800	0	0	0	0
Mississippi	0	0	0	0	0	0	2	28,000	0	0
New Mexico	0	0	0	0	1	150,000	0	0	0	0
North Carolina	2	514,600	1	$45,250	0	0	0	0	0	0
North Dakota	0	0	0	0	1	102,000	0	0	0	0
Ohio	0	0	1	58,700	0	0	0	0	0	0
Oklahoma	0	0	0	0	5	394,300	0	0	0	0
Oregon	0	0	0	0	0	0	1	300,000	0	0
South Dakota	0	0	0	0	0	0	1	130,000	0	0
Virginia	3	739,200	1	135,400	0	0	0	0	0	0
Washington	0	0	0	0	1	223,100	2	204,470	0	0
Wisconsin	0	0	0	0	1	134,900	2	149,670	0	0
U.S. total	6	1,350,800	3	239,350	16	2,023,140	13	1,808,470	1	246,400

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RURAL RENTAL HOUSING LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Individuals				Organizations							
					Profit				Nonprofit			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	9	$1,220,300	4	$372,000	2	$692,000	1	$288,000	0	0	0	0
Arizona	0	0	0	0	1	45,600	0	0	0	0	0	0
Arkansas	1	91,800	0	0	0	0	0	0	0	0	0	0
California	1	495,000	3	454,000	5	3,382,100	1	136,000	0	0	1	$6,600
Hawaii	0	0	0	0	2	1,400,000	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0	0	0	0
Colorado	2	505,000	1	27,000	3	1,553,500	0	0	2	$345,000	1	40,000
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey	1	75,000	0	0	1	60,000	0	0	0	0	0	0
Florida	2	312,280	1	82,770	1	483,380	3	354,150	0	0	0	0
Georgia	5	1,234,000	3	118,220	1	750,000	0	0	0	0	1	11,000
Idaho	15	4,122,480	8	340,320	15	5,111,790	2	95,000	4	1,878,650	1	89,100
Illinois	14	1,584,100	7	966,320	3	1,054,500	2	586,000	1	170,100	0	0
Indiana	9	2,128,500	3	361,000	7	1,721,650	2	770,000	6	1,362,000	5	334,070
Iowa	13	828,000	5	246,680	12	2,654,960	0	0	38	4,083,540	72	4,306,270
Kansas	0	0	1	153,000	0	0	0	0	1	280,000	4	324,000
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	0	0	0	0	0	0
Maine	9	2,486,700	4	1,130,880	1	515,000	1	420,000	12	5,191,760	3	1,459,500
Michigan	38	12,434,800	5	803,200	1	330,000	1	120,000	0	0	0	0
Minnesota	14	2,539,100	8	1,424,400	10	1,431,900	1	54,000	6	1,379,000	4	232,800
Mississippi	3	607,330	1	380,000	4	951,850	1	97,500	0	0	0	0
Missouri	6	616,350	5	243,500	0	0	0	0	20	4,596,220	14	977,700
Montana	2	273,600	1	82,650	5	1,147,450	0	0	3	592,000	0	0
Nebraska	4	285,900	1	63,000	1	106,800	0	0	5	673,900	3	34,700
New Mexico	1	15,970	1	33,000	0	0	0	0	1	500,000	0	0
New York	1	75,000	0	0	0	0	0	0	1	375,000	0	0
North Carolina	1	81,700	5	236,730	1	750,000	0	0	0	0	0	0
North Dakota	1	201,800	1	105,000	5	1,167,500	2	214,600	5	728,270	8	1,219,800
Ohio	6	2,237,000	1	74,000	21	12,769,130	5	644,700	1	552,300	3	91,200
Oklahoma	1	48,500	1	165,000	2	530,000	0	0	1	53,000	1	60,000
Oregon	7	1,440,900	0	0	8	1,972,180	0	0	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0	0	0	0

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RURAL RENTAL HOUSING LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30—Continued

State	Individuals				Organizations							
					Profit				Nonprofit			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Pennsylvania	1	$232,000	1	$17,500	1	$454,000	1	$70,000	3	$871,000	2	$40,100
South Carolina	3	478,400	4	138,700	1	400,000	0	0	0	0	0	0
South Dakota	13	1,397,570	8	381,050	24	4,007,880	9	507,400	12	918,100	13	1,248,600
Tennessee	1	72,000	6	344,000	3	484,270	0	0	3	945,500	1	23,160
Texas	14	1,964,880	4	287,060	18	4,384,980	0	0	7	1,499,500	5	312,700
Utah	1	108,270	1	130,000	0	0	0	0	0	0	0	0
Vermont	5	1,188,000	3	1,335,000	0	0	0	0	1	165,000	0	0
Connecticut	1	745,000	5	1,658,000	3	955,000	0	0	3	1,836,000	1	320,000
Massachusetts	4	835,200	1	35,000	0	0	0	0	1	86,400	0	0
New Hampshire	3	1,685,000	2	33,900	0	0	3	1,423,000	1	750,000	1	52,000
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	1	275,000	1	131,000	6	3,028,600	0	0	0	0	1	750,000
Washington	5	975,300	1	7,160	1	156,580	1	6,400	1	117,000	2	417,560
West Virginia	1	59,800	1	65,000	1	52,000	0	0	0	0	0	0
Wisconsin	9	1,928,230	14	1,318,450	5	728,000	0	0	17	6,795,700	11	750,400
Wyoming	1	242,500	1	9,500	1	60,000	0	0	1	497,500	0	0
U.S. total	229	48,128,130	123	13,762,910	176	55,292,540	36	5,786,750	157	37,242,440	158	13,101,260

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State	Individuals				Organizations							
					Profit				Nonprofit			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	0	0	0	0	1	$600,000	0	0	0	0	0	0
California	1	$495,000	3	$454,000	5	3,382,100	1	$136,000	0	0	1	$6,600
Hawaii	0	0	0	0	2	1,400,000	0	0	0	0	0	0
Colorado	0	0	0	0	2	1,500,000	0	0	2	$345,000	1	40,000
Florida	1	222,700	0	0	1	483,380	2	130,150	0	0	0	0
Georgia	1	171,000	0	0	0	0	0	0	0	0	1	11,000
Idaho	13	4,016,230	5	224,320	12	4,802,750	0	0	4	1,878,650	1	89,100
Illinois	12	1,389,400	5	844,720	2	636,500	1	194,000	1	170,100	0	0
Indiana	8	2,037,500	2	179,000	6	1,421,650	1	320,000	6	1,362,000	5	334,070
Iowa	4	294,000	3	146,600	9	2,286,220	0	0	38	4,083,540	72	4,306,270
Kansas	0	0	1	153,000	0	0	0	0	1	280,000	4	324,000
Maine	9	2,486,700	4	1,130,880	1	515,000	1	420,000	12	5,191,760	3	1,459,500
Michigan	18	7,505,900	2	513,000	1	330,000	0	0	0	0	0	0
Minnesota	14	2,539,100	5	954,000	8	1,125,900	1	54,000	6	1,379,000	4	232,800
Mississippi	1	241,580	1	380,000	1	190,000	0	0	0	0	0	0
Missouri	0	0	0	0	0	0	0	0	20	4,596,220	13	971,700
Montana	2	273,600	1	82,650	5	1,147,450	0	0	3	592,000	0	0
Nebraska	2	157,700	0	0	0	0	0	0	5	673,300	3	34,700
New Mexico	1	15,970	0	0	0	0	0	0	1	500,000	0	0
New York	0	0	0	0	0	0	0	0	1	375,000	0	0
North Carolina	0	0	0	0	1	750,000	0	0	0	0	0	0
North Dakota	1	201,800	0	0	5	1,167,500	2	214,600	5	728,270	8	1,219,800
Ohio	5	2,147,150	1	74,000	17	10,588,930	5	644,700	1	552,300	3	91,200
Oklahoma	0	0	1	165,000	1	250,000	0	0	1	53,000	0	0
Oregon	5	1,302,900	0	0	6	1,536,180	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	0	0	3	781,000	2	40,100
South Dakota	11	1,126,870	4	214,900	24	4,007,880	7	437,800	12	918,100	13	1,248,600
Tennessee	0	0	1	3,000	0	0	0	0	3	945,500	1	23,160
Texas	1	52,250	0	0	7	1,998,520	0	0	7	1,499,500	5	312,700
Vermont	0	0	1	640,000	0	0	0	0	1	165,000	0	0
Connecticut	0	0	1	150,000	0	0	0	0	3	1,836,000	1	320,000
Massachusetts	0	0	0	0	0	0	0	0	1	86,400	0	0
New Hampshire	1	720,000	0	0	0	0	2	1,406,000	1	750,000	1	52,000
Virginia	1	275,000	1	131,000	4	2,339,700	0	0	0	0	1	750,000
Washington	4	831,900	0	0	0	0	1	6,400	1	117,000	2	417,560
Wisconsin	8	1,800,230	7	1,006,600	3	531,000	0	0	17	6,795,700	11	750,400
Wyoming	0	0	0	0	0	0	0	1	1	497,500	0	0
U.S. total	124	30,304,480	49	7,446,670	124	42,990,660	24	3,963,650	157	37,242,440	156	13,035,260

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LABOR HOUSING LOANS AND GRANTS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Individuals—Loans				Organizations							
					Loans				Grants			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	1	$13,700	0	0	0	0	0	0	0	0	0	0
California	0	0	0	0	0	0	5	$4,156,000	0	0	3	$5,150,000
Hawaii	6	117,800	0	0	1	$669,000	0	0	0	0	0	0
Florida	0	0	0	0	1	870,430	0	0	1	$1,354,570	2	253,300
Idaho	1	3,900	0	0	2	421,700	0	0	1	1,400,000	0	0
Kansas	1	24,200	0	0	0	0	0	0	0	0	0	0
Mississippi	17	603,280	2	$84,070	17	1,928,770	3	213,600	0	0	0	0
Oregon	0	0	0	0	1	157,250	1	325,000	1	750,000	1	700,000
South Carolina	0	0	0	0	3	51,000	0	0	0	0	0	0
Tennessee	6	181,000	2	56,270	0	0	0	0	0	0	0	0
Texas	1	6,000	0	0	1	50,000	0	0	1	450,000	0	0
Utah	0	0	0	0	0	0	1	2,530	0	0	1	22,860
Vermont	2	46,700	0	0	0	0	0	0	0	0	0	0
Washington	0	0	0	0	0	0	1	17,800	0	0	0	0
U.S. total	35	996,580	4	140,340	26	4,148,150	11	4,714,930	4	3,954,570	7	6,126,160

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SUMMARY OF WATER AND WASTE LOANS AND GRANTS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

	Loans			Development grants—FHA and other		
	Number		Total amount	Number		Total amount
State	Initial (1)	Subsequent (2)	(3)	Initial (4)	Subsequent (5)	(6)
Alabama	20	38	$11,914,200	11	6	$801,900
Arizona	5	4	3,078,500	1	7	838,195
Arkansas	17	38	9,777,300	4	4	881,800
California	13	10	13,665,995	4	2	473,800
Nevada	0	1	826,000	1	0	220,000
Colorado	12	17	6,285,300	14	3	949,300
Delaware	0	0	0	0	0	0
Maryland	5	3	2,419,000	3	5	1,798,995
New Jersey	9	2	8,884,000	2	0	223,700
Florida	8	25	24,904,800	2	1	660,000
Georgia	14	14	8,519,000	11	1	1,052,000
Idaho	14	6	2,958,600	1	1	114,100
Illinois	18	18	12,878,500	5	0	705,000
Indiana	18	14	13,837,500	5	0	638,000
Iowa	12	29	17,682,600	2	0	137,000
Kansas	5	25	7,896,200	3	0	571,000
Kentucky	19	11	12,624,100	11	1	1,235,600
Louisiana	22	14	5,118,200	4	1	242,000
Maine	16	5	9,346,500	3	0	529,000
Michigan	16	12	38,196,000	12	4	1,828,200
Minnesota	10	5	5,479,000	6	0	375,000
Mississippi	30	109	21,779,600	10	4	786,500
Missouri	15	38	8,117,000	6	11	1,518,600
Montana	3	2	2,480,500	1	0	1,500,000
Nebraska	1	7	3,261,000	2	1	296,000
New Mexico	8	4	764,600	14	1	399,155
New York	14	14	14,376,100	7	3	842,000
North Carolina	20	17	25,252,600	8	2	1,678,000
North Dakota	11	11	10,685,000	5	3	225,200
Ohio	8	15	17,637,000	8	0	1,000,000
Oklahoma	20	26	11,599,600	12	2	851,790
Oregon	12	14	6,227,500	3	2	279,000
Alaska	0	5	1,895,000	1	0	118,000
Pennsylvania	24	16	19,846,300	6	0	1,773,000
South Carolina	10	26	18,803,500	3	1	588,000
South Dakota	5	4	3,890,000	4	2	130,800
Tennessee	23	40	19,767,000	8	10	871,000
Texas	22	77	25,936,500	3	2	1,804,300
Utah	5	9	1,393,300	9	3	1,012,500
Vermont	7	3	2,480,000	3	1	241,000
Connecticut	2	0	970,000	0	0	0
Massachusetts	4	3	1,158,900	1	1	107,000
Rhode Island	2	0	7,000,000	0	0	0
Virginia	9	16	8,757,300	5	1	913,400
Washington	14	5	2,580,200	0	0	0
West Virginia	15	16	11,491,000	8	2	1,408,025
Wisconsin	6	8	3,971,300	8	3	1,329,728
Wyoming	3	1	482,000	3	1	158,000
Puerto Rico	0	1	75,000	0	0	0
Virgin Islands	0	1	950,000	0	0	0
U.S. total	547	779	469,999,095	243	92	34,105,588

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INITIAL AND SUBSEQUENT WATER AND WASTE LOANS OBLIGATED, BY TYPE, FISCAL YEAR 1974 THROUGH JUNE 30

State	Initial						Subsequent					
	Water systems		Waste disposal		Combination water and waste		Water systems		Waste disposal		Combination water and waste	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	20	$6,708,600	0	0	0	0	38	$5,205,600	0	0	0	0
Arizona	3	800,000	2	$2,103,500	0	0	4	175,000	0	0	0	0
Arkansas	10	2,759,900	4	2,415,000	3	$426,300	30	2,996,600	4	$188,300	4	$991,200
California	4	653,452	9	12,167,000	0	0	4	155,000	6	690,543	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	1	926,000	0	0	0	0
Colorado	6	1,195,800	3	990,000	3	660,000	12	2,917,500	3	345,000	2	157,000
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	3	1,900,000	1	80,000	1	233,000	0	0	2	190,000	1	16,000
New Jersey	5	1,978,500	4	5,728,000	0	0	1	137,500	0	0	1	1,040,000
Florida	4	324,500	2	4,375,000	2	3,770,000	19	5,527,300	3	9,400,000	3	1,508,000
Georgia	11	4,719,000	0	0	3	570,000	9	2,400,000	2	370,000	3	460,000
Idaho	8	498,400	5	1,336,000	1	750,000	4	307,200	2	67,000	0	0
Illinois	14	6,761,000	2	860,000	2	1,530,000	14	3,250,500	3	452,000	1	25,000
Indiana	15	9,038,000	3	1,144,000	0	0	12	2,826,500	2	829,000	0	0
Iowa	7	7,505,000	5	957,600	0	0	17	8,610,200	12	609,800	0	0
Kansas	5	3,921,300	0	0	0	0	25	3,974,900	0	0	0	0
Kentucky	13	4,748,100	5	2,195,000	1	1,950,000	10	3,663,000	1	68,000	0	0
Louisiana	20	3,895,100	2	83,000	0	0	14	1,140,100	0	0	0	0
Maine	2	425,000	13	8,137,000	1	357,000	3	230,500	2	197,000	0	0
Michigan	15	7,038,000	1	1,650,000	0	0	4	123,000	8	29,385,000	0	0
Minnesota	6	3,185,000	1	312,000	3	1,593,000	3	160,000	1	15,000	1	215,000

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Montana	2	2, 340, 500	1	95, 000	0	0	2	45, 000	0	0	0	0
Nebraska	1	2, 200, 000	0	0	0	0	4	997, 000	3	64, 000	0	0
New Mexico	8	524, 000	0	0	0	0	4	240, 600	0	0	0	0
New York	9	3, 062, 100	5	5, 460, 000	1	1, 030, 000	7	2, 123, 000	7	2, 701, 000	0	0
North Carolina	14	11, 867, 000	0	0	6	7, 384, 000	16	5, 990, 600	0	0	1	11, 000
North Dakota	7	7, 070, 000	1	42, 000	3	392, 000	9	3, 079, 000	2	102, 000	0	0
Ohio	8	11, 377, 000	0	0	0	0	13	6, 170, 000	2	90, 000	0	0
Oklahoma	15	7, 070, 800	2	475, 000	3	624, 200	23	3, 154, 300	2	249, 800	1	25, 500
Oregon	10	2, 563, 300	2	383, 000	0	0	9	2, 487, 000	5	794, 200	0	0
Alaska	0	0	0	0	0	0	3	1, 370, 000	1	200, 000	1	325, 000
Pennsylvania	11	9, 711, 400	12	7, 702, 900	1	450, 000	5	333, 500	11	1, 648, 500	0	0
South Carolina	9	10, 240, 000	0	0	1	1, 273, 000	21	5, 714, 500	3	1, 209, 000	2	367, 000
South Dakota	2	3, 308, 000	3	295, 000	0	0	4	287, 000	0	0	0	0
Tennessee	20	10, 681, 000	1	400, 000	2	1, 747, 000	36	5, 750, 000	3	549, 000	1	640, 000
Texas	19	10, 315, 700	1	16, 000	2	878, 900	71	14, 210, 900	5	353, 000	1	162, 000
Utah	5	953, 000	0	0	0	0	5	160, 000	3	220, 300	1	60, 000
Vermont	4	380, 000	3	985, 000	0	0	3	1, 115, 000	0	0	0	0
Connecticut	1	320, 000	0	0	1	650, 000	0	0	0	0	0	0
Massachusetts	3	752, 900	1	306, 000	0	0	3	100, 000	0	0	0	0
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	2	7, 000, 000	0	0	0	0	0	0	0	0
Virginia	8	4, 958, 000	0	0	1	900, 000	12	2, 299, 300	4	600, 000	0	0
Washington	12	1, 519, 100	1	46, 800	1	643, 000	5	371, 300	0	0	0	0
West Virginia	15	8, 069, 000	0	0	0	0	16	3, 422, 000	0	0	0	0
Wisconsin	3	674, 000	1	1, 550, 000	2	640, 000	6	784, 000	1	17, 300	1	306, 000
Wyoming	3	450, 000	0	0	0	0	1	32. 000	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	0	1	75, 000	0	0
Virgin Islands	0	0	0	0	0	0	0	0	1	950, 000	0	0
U.S. total	393	186, 666, 652	103	69, 942, 800	51	31, 744, 700	640	122, 271, 800	13	53, 040, 443	26	6, 332, 700

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INITIAL AND SUBSEQUENT LOANS TO ASSOCIATIONS OBLIGATED, BY TYPE FISCAL YEAR 1974 THROUGH JUNE 30

State	Initial						Subsequent					
	Recreation		Grazing		Irrigation, drainage and soil conservation		Recreation		Grazing		Irrigation, drainage and soil conservation	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Colorado	0	0	0	0	1	$158,000	0	0	1	$65,000	1	$80,000
Idaho	0	0	0	0	0	0	0	0	1	100,000	1	35,000
Kansas	0	0	1	$71,500	0	0	0	0	1	9,600	0	0
Montana	0	0	0	0	0	0	0	0	0	0	2	168,000
Nebraska	0	0	1	115,000	0	0	0	0	0	0	0	0
New Mexico	0	0	1	149,500	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	1	44,300	0	0
Oklahoma	0	0	0	0	0	0	1	$25,000	0	0	0	0
Oregon	0	0	0	0	0	0	0	0	0	0	1	50,000
South Dakota	0	0	4	471,800	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	1	32,000	0	0	0	0	0	0
Wyoming	0	0	1	1,800,000	0	0	0	0	0	0	0	0
U.S. total	0	0	8	2,607,800	2	190,000	1	25,000	4	218,900	5	333,000

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State	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	11	$518,000	6	$283,900	0	0	0	0	0	0	0	0
Arizona	0	0	2	193,000	0	0	0	0	0	0	0	0
Arkansas	2	372,000	3	257,000	0	0	0	0	0	0	0	0
California	3	312,000	2	131,800	1	$30,000	0	0	0	0	0	0
Nevada	1	220,000	0	0	0	0	0	0	0	0	0	0
Colorado	3	45,000	1	100,000	3	164,000	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	2	250,000	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	2	223,700	0	0	0	0	0	0
Florida	1	18,300	1	92,300	1	549,400	0	0	0	0	0	0
Georgia	11	1,045,000	1	7,000	0	0	0	0	0	0	0	0
Idaho	1	53,700	1	60,400	0	0	0	0	0	0	0	0
Illinois	2	122,000	0	0	3	583,000	0	0	0	0	0	0
Indiana	5	638,000	0	0	0	0	0	0	0	0	0	0
Iowa	2	137,000	0	0	0	0	0	0	0	0	0	0
Kansas	2	531,000	0	0	0	0	0	0	0	0	0	0
Kentucky	9	802,000	1	20,000	0	0	0	0	1	$280,000	0	0
Louisiana	2	87,000	0	0	0	0	0	0	0	0	0	0
Maine	0	0	0	0	3	529,000	0	0	0	0	0	0
Michigan	4	592,000	3	190,000	0	0	0	0	0	0	0	0
Minnesota	4	205,000	0	0	1	60,000	0	0	1	110,000	0	0
Mississippi	8	541,000	4	155,500	1	40,000	0	0	0	0	0	0
Missouri	1	100,000	11	556,600	0	0	0	0	0	0	0	0
Nebraska	1	151,000	1	125,000	1	20,000	0	0	0	0	0	0
New York	5	390,000	3	212,000	2	240,000	0	0	0	0	0	0
North Carolina	6	1,193,000	0	0	0	0	0	0	0	0	0	0
North Dakota	3	102,000	3	72,200	0	0	0	0	2	51,000	0	0
Ohio	7	975,000	0	0	0	0	0	0	0	0	0	0
Oklahoma	2	246,000	1	125,000	0	0	0	0	0	0	0	0
Oregon	3	220,000	2	59,000	0	0	0	0	0	0	0	0
Alaska	1	118,000	0	0	0	0	0	0	0	0	0	0
Pennsylvania	5	773,000	0	0	1	1,000,000	0	0	0	0	0	0
South Carolina	2	390,000	1	176,000	0	0	0	0	0	0	0	0
South Dakota	4	66,800	2	64,000	0	0	0	0	0	0	0	0
Tennessee	8	428,000	10	443,000	0	0	0	0	0	0	0	0
Texas	3	1,536,700	2	267,600	0	0	0	0	0	0	0	0
Utah	2	106,000	2	46,000	0	0	0	0	0	0	0	0
Vermont	3	196,000	1	45,000	0	0	0	0	0	0	0	0
Massachusetts	0	0	1	5,000	1	102,000	0	0	0	0	0	0
Virginia	5	772,500	1	140,900	0	0	0	0	0	0	0	0
West Virginia	6	798,000	2	208,000	0	0	0	0	0	0	0	0
Wisconsin	3	215,000	1	44,000	0	0	0	0	0	0	1	$277,000
Wyoming	3	150,000	1	8,000	0	0	0	0	0	0	0	0
U.S. total	146	15,416,000	70	4,088,200	20	3,541,100	0	0	4	441,000	1	277,000

[1] In addition, 94 development grants for $10,342,288 were obligated from other than FHA funds (see table 19).

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DEVELOPMENT GRANTS OBLIGATED FROM OTHER THAN FMHA FUNDS FOR WATER AND WASTE DISPOSAL SYSTEMS FISCAL YEAR 1974 THROUGH JUNE 30

State	Appalachia				Regional development			
	Initial		Subsequent		Initial		Subsequent	
	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amount (8)
Arizona	0	0	0	0	1	$200,000	5	$445,195
Arkansas	0	0	0	0	2	250,000	1	2,800
Colorado	0	0	0	0	8	475,300	2	165,000
Delaware	0	0	0	0	0	0	0	0
Maryland	1	$1,093,000	5	$455,995	0	0	0	0
Kansas	0	0	0	0	1	40,000	0	0
Kentucky	1	133,600	0	0	0	0	0	0
Louisiana	0	0	0	0	2	105,000	1	50,000
Michigan	0	0	0	0	8	921,200	1	125,000
Mississippi	1	50,000	0	0	0	0	0	0
Missouri	0	0	0	0	5	862,000	0	0
New Mexico	0	0	0	0	14	363,655	1	35,500
North Carolina	1	197,000	2	38,000	1	250,000	0	0
Ohio	1	25,000	0	0	0	0	0	0
Oklahoma	0	0	0	0	10	445,790	1	35,000
South Carolina	0	0	0	0	1	22,000	0	0
Utah	0	0	0	0	7	848,500	1	12,000
West Virginia	2	402,025	0	0	0	0	0	0
Wisconsin	0	0	0	0	5	620,528	1	173,200
U.S. total	7	1,900,625	7	493,995	65	5,403,973	14	1,043,695
	MILITARY CONSTRUCTION							
Montana	1	1,500,000						
U.S. total	1	1,500,000						

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WATERSHED, RESOURCE CONSERVATION, AND DEVELOPMENT LOANS AND INDIAN TRIBE LAND ACQUISITION LOANS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Watershed protection loans				Resource conservation and development loans				Indian land tribe acquisition loans			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	1	$20,000	1	$65,000	2	$270,700	0	0	0	0	0	0
Arizona	0	0	0	0	0	0	2	$54,000	0	0	0	0
Arkansas	8	3,136,600	0	0	0	0	0	0	0	0	0	0
California	0	0	2	1,050,000	0	0	0	0	0	0	0	0
Idaho	0	0	2	238,000	1	41,000	1	13,000	0	0	0	0
Illinois	1	170,000	0	0	0	0	0	0	0	0	0	0
Indiana	1	400,000	0	0	0	0	0	0	0	0	0	0
Iowa	1	1,198,000	1	299,300	0	0	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0
Louisiana	1	704,000	0	0	0	0	0	0	0	0	0	0
Maryland	2	285,000	0	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	1	15,000	0	0	0	0	0	0	0	0
Michigan	1	2,577,000	0	0	0	0	0	0	0	0	0	0
Minnesota	2	812,000	0	0	1	67,000	0	0	0	0	0	0
Mississippi	0	0	1	301,200	0	0	0	0	0	0	0	0
Montana	0	0	0	0	0	0	1	9,700	0	0	2	$2,000,000
Nebraska	0	0	0	0	0	0	1	2,400	0	0	0	0
New Hampshire	0	0	0	0	1	40,000	0	0	0	0	0	0
New Mexico	1	400,000	0	0	0	0	0	0	0	0	0	0
New York	0	0	1	15,000	0	0	0	0	0	0	0	0
North Carolina	3	223,000	0	0	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0	0	1	750,000
Oklahoma	1	1,000,000	0	0	1	110,000	0	0	0	0	0	0
Oregon	1	2,060,000	2	4,222,000	1	30,000	0	0	0	0	0	0
South Dakota	1	31,200	0	0	0	0	0	0	1	$1,000,000	4	4,600,000
Tennessee	0	0	0	0	1	250,000	0	0	0	0	0	0
Texas	0	0	0	0	1	40,000	0	0	0	0	0	0
Utah	0	0	0	0	0	0	3	90,500	0	0	0	0
Washington	0	0	0	0	0	0	0	0	1	1,500,000	0	0
West Virginia	0	0	1	180,000	0	0	0	0	0	0	0	0
Wisconsin	1	200,000	0	0	0	0	0	0	0	0	0	0
Wyoming	1	200,000	0	0	2	69,500	0	0	0	0	0	0
U.S. total	27	13,416,800	12	6,385,500	11	918,200	8	169,600	2	2,500,000	7	7,350,000

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BUSINESS AND INDUSTRIAL, AND COMMUNITY FACILITY LOANS AND INDUSTRIAL DEVELOPMENT GRANTS OBLIGATED, FISCAL YEAR 1974 THROUGH JUNE 30

State	Business and industrial loans				Community facility loans				Industrial development grants			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	3	$1,209,000	0	0	0	0	0	0	4	$395,100	0	0
Arizona	1	100,000	0	0	2	$445,000	0	0	1	80,000	0	0
Arkansas	8	4,456,200	0	0	0	0	0	0	1	610,000	0	0
California	5	6,535,000	0	0	0	0	0	0	3	235,000	0	0
Hawaii	0	0	0	0	0	0	0	0	1	40,000	0	0
Nevada	0	0	0	0	0	0	0	0	1	30,000	0	0
Colorado	4	2,364,691	0	0	1	2,053,000	0	0	3	90,000	0	0
Florida	8	8,263,025	0	0	0	0	0	0	1	210,000	0	0
Georgia	5	3,030,479	2	$550,000	0	0	0	0	4	415,000	0	0
Idaho	10	16,955,000	0	0	6	652,400	0	0	1	76,000	0	0
Illinois	15	6,966,700	0	0	0	0	0	0	5	242,000	0	0
Indiana	13	1,968,400	3	392,000	1	20,000	0	0	4	411,000	0	0
Iowa	3	2,643,000	0	0	1	600,000	0	0	3	200,000	0	0
Kansas	5	2,665,000	0	0	0	0	0	0	3	155,000	0	0
Kentucky	12	4,303,950	0	0	0	0	0	0	6	250,000	1	$45,000
Louisiana	5	4,380,000	0	0	0	0	0	0	3	338,600	0	0
Maine	3	1,460,000	0	0	9	5,283,000	0	0	6	120,000	0	0
Michigan	9	5,530,000	0	0	5	1,775,000	0	0	5	195,000	1	50,000
Minnesota	9	5,648,000	0	0	4	913,000	0	0	3	215,000	0	0
Mississippi	57	12,181,800	0	0	0	0	0	0	0	0	0	0
Missouri	22	4,234,500	0	0	0	0	0	0	0	0	2	573,000
Montana	11	876,500	0	0	0	0	0	0	1	75,000	0	0

Nebraska	0	0	0	0	0	0	0	0	3	152,000	0	0
New Jersey	6	1,338,000	0	0	1	4,000,000	0	0	1	80,000	0	0
Delaware	1	465,000	0	0	1	400,000	0	0	0	0	0	0
Maryland	5	2,130,000	0	0	0	0	0	0	1	128,000	0	0
New Mexico	6	998,000	0	0	0	0	1	$42,000	2	95,000	0	0
New York	8	10,290,000	1	300,000	3	1,013,200	1	237,000	3	1,050,000	0	0
North Carolina	9	4,488,200	0	0	20	3,268,000	0	0	8	388,500	2	36,500
North Dakota	18	4,373,000	0	0	2	75,000	0	0	2	80,000	0	0
Ohio	6	1,403,000	0	0	4	1,336,000	0	0	3	290,000	0	0
Oklahoma	9	4,083,000	0	0	3	3,650,000	0	0	1	8,400	0	0
Oregon	7	2,329,000	0	0	2	1,508,200	0	0	1	110,000		0
Alaska	1	110,000	0	0	0	0	0	0	1	35,000	0	0
Pennsylvania	4	2,875,000	0	0	6	11,845,000	0	0	4	365,000	0	0
South Carolina	11	3,648,000	0	0	3	723,200	1	285,000	5	395,500	0	0
South Dakota	4	1,771,500	0	0	0	0	0	4	4	123,000	0	0
Tennessee	11	8,826,000	0	0	7	1,855,000	0	0	3	300,000	0	0
Texas	14	30,007,000	1	65,000	1	85,000	0	0	4	311,000	2	59,000
Utah	1	124,000	0	0	0	0	0	0	0	0	0	0
Vermont	4	475,000	0	0	2	515,000	0	0	4	160,000	0	0
Connecticut	2	845,000	0	0	0	0	0	0	0	0	0	0
Massachusetts	1	30,000	0	0	3	3,342,000	0	0	0	0	0	0
New Hampshire	2	520,000	0	0	0	0	2	515,000	0	0	0	0
Virginia	4	1,597,000	1	50,000	4	1,366,000	1	25,000	3	265,000	0	0
Washington	4	2,437,000	0	0	0	0	0	0	2	75,000	0	0
West Virginia	7	503,500	0	0	0	0	0	0	2	90,000	1	90,000
Wisconsin	31	16,059,000	0	0	5	2,003,700	0	0	7	230,000	0	0
Wyoming	5	977,500	0	0	0	0	0	0	3	68,700	0	0
Puerto Rico	2	150,000	0	0	0	0	0	0	1	365,000	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0
U.S. total	391	198,623,545	8	1,357,000	96	48,726,700	6	1,104,000	127	9,143,200	9	853,500

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U.S. DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION, CUMULATIVE GUARANTEED LOANS AND GRANTS OBLIGATED—FISCAL YEAR 1974 THROUGH JUNE 30 (INCLUDED IN PAGE 21)

[Amounts in thousands of dollars]

State offices	Community facilities loans				Business and industrial loans				Industrial development grants			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
U.S. total					386	$197,149	8	$1,357				
Alabama					2	850						
Arizona					1	100						
Arkansas					8	4,456						
California office					5	6,535						
California					5	6,535						
Colorado					4	2,364						
Delaware office					12	3,933						
Delaware					1	465						
Maryland					5	2,130						
New Jersey					6	1,338						
Florida					8	8,263						
Georgia					5	3,030	2	550				
Idaho					10	16,955						
Illinois					15	6,967						
Indiana					13	1,968	3	392				
Iowa					3	2,643						
Kansas					5	2,665						
Kentucky					12	4,304						
Louisiana					5	4,380						

Montana	11	877		
New Mexico	5	919		
New York	8	10,290	1	300
North Carolina	9	4,488		
North Dakota	18	4,373		
Ohio	6	1,403		
Oklahoma	9	4,083		
Oregon Office	7	2,329		
Oregon	7	2,329		
Pennsylvania	4	2,875		
South Carolina	11	3,648		
South Dakota	3	1,595		
Tennessee	11	8,826		
Texas	14	30,007	1	65
Utah	1	124		
Vermont office	9	1,870		
Connecticut	2	845		
Massachusetts	1	30		
New Hampshire	2	520		
Vermont	4	475		
Virginia	4	1,597	1	50
Washington	4	2,437		
West Virginia	7	504		
Wisconsin	31	16,059		
Wyoming	4	228		
Puerto Rico office	2	150		
Puerto Rico	2	150		

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Report of Loan and Grant Obligations, 1975 Fiscal Year Through December 31, 1974

OPERATING LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Total amount	Operating				Youth operating			
		Initial		Subsequent		Initial		Subsequent	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
									0
Alabama	$3,090,750	126	$1,279,050	284	$1,745,760	34	$65,090	1	$850
Arizona	1,164,140	49	865,450	26	287,280	4	11,410	0	0
Arkansas	3,827,020	219	2,284,160	360	1,428,610	82	112,480	2	1,770
California	1,291,560	41	815,230	29	334,120	15	139,310	2	2,900
Hawaii	32,370	3	16,720	2	15,650	0	0	0	
Nevada	273,700	10	173,200	9	94,500	3	6,000	0	0
Colorado	1,106,430	24	632,200	45	431,130	6	43,100	0	0
Delaware	112,150	6	65,000	8	47,150	0	0	0	0
Maryland	556,330	42	273,380	43	266,450	1	6,000	2	10,500
New Jersey	622,450	20	328,000	40	283,700	3	5,750	1	5,000
Florida	3,235,340	107	1,539,640	167	1,678,500	7	17,200	0	0
Georgia	10,487,100	266	5,013,930	341	5,326,220	51	126,700	7	20,250
Idaho	4,344,000	99	2,296,300	213	2,025,340	12	22,360	0	0
Illinois	3,727,498	107	2,038,890	180	1,670,108	6	18,500	0	0
Indiana	2,228,490	63	1,182,730	105	1,007,870	7	20,790	3	17,100
Iowa	5,450,130	149	3,866,280	223	1,561,550	7	22,300	0	0
Kansas	4,050,430	154	2,983,530	145	945,160	55	105,420	9	16,320
Kentucky	3,562,480	250	2,192,400	244	1,309,080	29	47,260	1	3,750
Louisiana	4,515,300	142	2,058,100	286	2,230,300	111	215,400	3	2,500
Maine	2,723,920	77	1,132,060	247	1,584,960	7	3,900	0	0

Michigan	3,923,070	83	2,504,550	1[illegible]0	1,367,970	7	38,5[illegible]0	2	12,000
Minnesota	4,889,210	114	2,725,760	270	2,088,[illegible]0	17	52,700	4	22,200
Mississippi	5,000,030	263	2,750,640	357	1,952,070	174	289,220	7	8,100
Missouri	5,485,660	175	3,241,470	273	2,089,070	56	149,820	5	5,300
Montana	2,111,370	44	1,231,970	93	797,900	13	81,[illegible]00	0	0
Nebraska	1,839,420	46	1,009,740	132	792,800	16	33,680	1	3,200
New Mexico	843,780	45	612,370	46	209,9[illegible]0	8	18,160	3	3,300
New York	5,376,000	140	3,581,060	284	1,734,100	15	60,840	0	0
North Carolina	15,435,7[illegible]4	623	5,782,8[illegible]4	1,024	9,611,870	22	39,780	2	1,300
North Dakota	3,919,090	84	2,079,310	257	1,839,7[illegible]0	0	0	0	0
Ohio	1,783,390	50	1,208,070	67	574,020	2	1,300	0	0
Oklahoma	10,621,960	318	6,031,010	512	4,220,910	96	355,310	7	14,700
Oregon	1,325,520	32	561,360	60	676,390	22	79,620	2	8,150
Alaska	0	0	0	0	0	0	0	0	0
Pennsylvania	2,528,150	73	1,683,550	119	806,100	13	38,500	0	0
South Carolina	3,146,740	118	1,227,930	180	1,823,420	23	76,960	4	18,430
South Dakota	6,777,834	142	3,729,554	399	2,824,890	59	220,140	2	3,250
Tennessee	2,746,320	163	1,796,930	165	928,140	9	21,250	0	0
Texas	16,818,190	602	10,076,280	845	6,526,170	90	193,540	7	22,200
Utah	1,272,660	38	563,710	104	677,750	14	28,950	2	2,250
Vermont	1,419,250	34	801,690	117	610,570	2	7,000	0	0
Connecticut	143,700	3	30,100	12	112,100	1	1,500	0	0
Massachusetts	119,950	4	74,650	9	45,300	0	0	0	0
New Hampshire	232,600	1	8,000	27	219,600	1	5,000	0	0
Rhode Island	6,850	0	0	2	6,850	0	0	0	0
Virginia	1,941,550	90	1,022,140	133	913,950	5	5,460	0	0
Washington	1,741,410	37	999,150	73	720,500	6	14,560	4	7,200
West Virginia	1,250,580	93	700,700	133	543,480	8	6,400	0	0
Wisconsin	8,280,835	176	5,805,175	381	2,429,390	20	46,270	0	0
Wyoming	944,900	16	294,770	69	593,980	19	55,050	1	1,100
Puerto Rico	463,300	76	398,370	17	43,800	9	21,150	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0
U.S. total	168,780,671	5,637	93,569,093	9,307	72,063,778	1,167	2,934,180	84	213,620

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GUARANTEED OPERATING LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974 (INCLUDED IN PAGE 2)

State	Initial Number (1)	Initial Amount (2)	Subsequent Number (3)	Subsequent Amount (4)
Colorado	2	$56,800	0	0
Indiana	13	314,740	2	$27,828
Iowa	3	57,210	0	0
Kansas	28	735,080	2	33,240
Michigan	1	50,000	0	0
Minnesota	2	63,000	0	0
Mississippi	3	53,500	0	0
Montana	7	247,070	0	0
Nebraska	6	142,900	0	0
New York	3	104,500	0	0
North Carolina	1	5,474	0	0
North Dakota	11	354,340	1	16,750
Oklahoma	15	559,200	0	0
South Dakota	41	1,068,604	2	40,000
Tennessee	1	17,500	0	0
Texas	9	186,850	20	96,880
Wisconsin	40	1,512,525	4	29,200
U.S. total	186	5,529,293	31	243,898

EMERGENCY LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974 [1]

State	Total amount (1)	Initial Number (2)	Initial Amount (3)	Subsequent Number (4)	Subsequent Amount (5)
Alabama	$437,520	54	$407,420	4	$30,100
Arkansas	79,220	17	69,680	4	9,540
California	108,780	11	108,780	0	0
Hawaii	40,000	7	40,000	0	0
Colorado	1,136,850	221	1,136,850	0	0
Florida	945,830	6	945,830	0	0
Georgia	92,850	10	92,850	0	0
Idaho	37,600	3	37,600	0	0
Illinois	6,287,595	374	6,147,595	3	140,000
Indiana	2,385,290	78	2,105,140	11	280,150
Iowa	3,119,140	1,873	3,119,050	1	90
Kansas	47,900	4	47,900	0	0
Kentucky	1,423,675	82	1,363,175	6	60,500
Louisiana	5,229,788	291	5,181,888	1	47,900
Maine	1,000	1	1,000	0	0
Michigan	8,075,190	729	8,052,190	5	23,000
Minnesota	903,810	75	883,060	1	20,750
Mississippi	7,463,320	123	7,206,820	9	256,500
Missouri	14,347,886	2,061	14,104,966	16	242,920
Nebraska	128,700	8	128,700	0	0
New Mexico	387,370	104	386,270	2	1,100
New York	360,550	23	360,550	0	0
North Carolina	24,800	2	24,800	0	0
North Dakota	453,160	43	453,160	0	0
Ohio	331,880	14	326,080	1	5,800
Oklahoma	823,140	40	378,140	1	445,000
Oregon	103,320	15	96,320	1	7,000
Alaska	0	0	0	0	0
South Carolina	440,850	39	419,060	4	21,790
South Dakota	132,500	10	132,500	0	0
Tennessee	1,510,398	159	1,502,898	2	7,500
Texas	1,400,229	158	1,393,309	1	6,290
Utah	409,580	54	375,570	7	34,010
Vermont	0	0	0	0	0
Massachusetts	150,000	1	150,000	0	0
Virginia	13,300	2	13,300	0	0
Washington	1,348,600	102	1,341,100	1	7,500
Wisconsin	1,670,770	119	1,670,770	0	0
Wyoming	1,121,300	10	1,121,300	0	0
Puerto Rico	7,638,109	3,633	7,550,525	53	87,584
Virgin Islands	0	0	0	0	0
U.S. total	70,611,800	10,556	68,876,146	134	1,735,654

[1] Includes 2 guaranteed loans for $30,400 in the State of Nebraska.

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'EED EMERGENCY LIVESTOCK LOANS OBLIGATED FISCAL YEAR 1975 THROUGH DEC. 31, 1974 [1]

	Emergency Livestock—Initial	
	Number	Amount
	(1)	(2)
	8	$1, 350, 500
	8	537, 980
	8	1, 161, 098
	12	1, 637, 700
	1	8, 000
	5	391, 600
	6	943, 000
	3	249, 235
	13	1, 702, 500
	3	474, 000
	91	9, 616, 680
	66	9, 553, 254
	0	0
	4	645, 685
	0	0
	5	552, 020
	21	2, 663, 665
	5	360, 900
	28	3, 222, 750
	12	1, 605, 420
	33	5, 419, 730
	1	6, 000
	9	1, 627, 390
	16	1, 156, 806
	8	988, 500
	43	4, 519, 120
	3	367, 000
	205	27, 603, 857
	3	122, 000
	4	597, 000
	42	7, 046, 330
	0	0
	229	28, 463, 342
	1	30, 000
	1	250, 000
	10	319, 740
	15	1, 490, 250
	4	460, 040
il	926	117, 143, 172

, 1 subsequent loan for $10,000 in the State of New York.

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FARM OWNERSHIP LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Total amount	Farm enterprises				Nonfarm enterprises only			
		Initial		Subsequent		Initial		Subsequent	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alabama	$3,825,760	121	$3,173,600	31	$441,460	5	$182,700	2	$28,000
Arizona	973,470	14	713,970	7	259,500	0	0	0	0
Arkansas	6,072,130	182	4,580,790	70	1,260,390	4	135,850	3	95,100
California	1,700,600	26	1,490,400	7	130,200	1	80,000	0	0
Hawaii	91,400	1	33,000	1	58,400	0	0	0	0
Nevada	362,050	3	245,750	6	116,300	0	0	0	0
Colorado	3,018,560	48	2,766,010	16	252,550	0	0	0	0
Delaware	204,500	4	204,500	0	0	0	0	0	0
Maryland	1,135,530	19	1,020,330	3	115,200	0	0	0	0
New Jersey	121,300	2	91,300	1	12,000	1	18,000	0	0
Florida	1,524,130	32	1,295,130	10	229,000	0	0	0	0
Georgia	3,498,610	62	2,675,260	32	729,650	1	79,100	1	14,600
Idaho	5,572,230	82	3,465,900	74	1,943,830	3	135,000	1	27,500
Illinois	6,578,630	133	5,699,480	33	859,150	1	20,000	0	0
Indiana	5,436,420	124	4,635,790	30	778,530	2	22,100	0	0
Iowa	7,890,350	170	6,777,190	44	1,056,160	1	37,000	1	20,000
Kansas	7,324,230	168	5,914,220	58	1,392,650	1	17,360	0	0
Kentucky	5,744,850	157	5,331,310	17	324,940	2	66,600	1	22,000
Louisiana	2,947,650	57	2,375,490	24	552,160	1	20,000	0	0
Maine	2,374,530	39	1,489,430	42	752,100	1	22,000	3	111,000
Michigan	4,031,400	75	3,474,000	26	557,400	0	0	0	0
Minnesota	7,378,020	165	6,041,130	71	1,267,990	1	44,100	1	24,800

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New York	3,101,120	78	2,028,440	31	457,080	1	75,000	0	0
North Carolina	5,008,080	127	3,439,640	75	1,238,690	7	184,990	5	144,760
North Dakota	6,977,450	147	4,903,190	103	2,017,960	1	10,800	2	45,500
Ohio	2,758,690	43	2,229,270	17	350,020	3	179,400	0	0
Oklahoma	7,890,091	187	6,232,011	54	1,446,880	3	124,900	4	86,300
Oregon	2,010,410	34	1,692,570	11	239,140	1	32,000	1	46,700
Alaska	22,000	1	22,000	0	0	0	0	0	0
Pennsylvania	2,661,610	46	2,239,290	15	282,740	2	48,900	1	30,680
South Carolina	2,543,230	57	1,783,940	26	541,980	5	217,310	0	0
South Dakota	7,842,160	164	5,702,810	126	2,126,650	1	12,700	0	0
Tennessee	4,401,870	132	3,680,600	34	601,280	3	107,400	2	12,500
Texas	7,676,420	180	6,442,110	50	1,222,470	1	11,840	0	0
Utah	1,469,000	23	1,139,650	18	289,750	2	11,600	1	28,000
Vermont	2,079,760	28	1,580,270	30	486,490	1	31,000	0	0
Connecticut	194,660	3	114,660	0	0	1	80,000	0	0
Massachusetts	282,000	4	212,000	0	0	1	70,000	0	0
New Hamsphire	163,020	3	47,720	3	115,300	0	0	0	0
Rhode Island	7,000	0	0	1	7,000	0	0	0	0
Virginia	1,788,120	37	1,550,380	11	237,740	0	0	0	0
Washington	2,715,590	43	2,000,630	28	714,960	0	0	0	0
West Virginia	1,491,650	35	1,144,820	17	219,210	4	115,020	1	12,600
Wisconsin	7,845,640	149	6,891,820	44	953,820	0	0	0	0
Wyoming	955,000	12	637,000	9	163,000	3	139,000	1	16,000
Puerto Rico	1,171,660	48	1,086,910	5	82,250	1	2,500	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0
U.S. total	174,884,471	3,794	140,243,531	1,484	30,704,290	77	2,918,110	42	1,018,540

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GUARANTEED FARM OWNERSHIP LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974[1]

[Included in page 5]

State	Farm ownership—Initial: Number (1)	Farm ownership—Initial: Amount (2)
Alabama	1	$44,000
Georgia	1	45,000
Missouri	1	36,000
New Mexico	1	6,000
North Dakota	1	32,000
Oklahoma	1	44,711
Wisconsin	2	142,000
U.S. total	8	349,711

[1] In addition, 1 initial loan for $35,000 in the State of Mississippi for nonfarm enterprises.

SOIL AND WATER LOANS TO INDIVIDUALS OBLIGATED FISCAL YEAR 1975 THROUGH DEC. 31, 1974

	Total		Soil and water to individuals			
			Initial		Subsequent	
State	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)
Alabama	17	$66,850	14	$53,850	3	$13,000
Arizona	3	52,500	3	52,500	0	0
Arkansas	42	224,320	37	189,070	5	35,250
California	1	15,500	1	15,500	0	0
Hawaii	0	0	0	0	0	0
Nevada	0	0	0	0	0	0
Delaware	0	0	0	0	0	0
Maryland	0	0	0	0	0	0
New Jersey	1	8,000	0	0	1	8,000
Idaho	4	139,000	4	139,000	0	0
Indiana	2	11,500	2	11,500	0	0
Iowa	2	57,200	2	57,200	0	0
Kansas	5	158,850	5	158,850	0	0
Kentucky	13	35,290	13	35,290	0	0
Louisiana	4	14,200	4	14,200	0	0
Maine	1	2,000	1	2,000	0	0
Minnesota	1	22,000	1	22,000	0	0
Mississippi	8	43,350	8	43,350	0	0
Missouri	26	191,320	24	170,180	2	21,140
Montana	3	32,200	2	24,000	1	8,200
Nebraska	2	51,750	2	51,750	0	0
New Mexico	6	34,850	5	29,850	1	5,000
North Carolina	1	3,500	1	3,500	0	0
North Dakota	1	17,800	1	17,800	0	0
Ohio	1	3,300	1	3,300	0	0
Oklahoma	4	73,520	4	73,520	0	0
Oregon	1	7,500	0	0	1	7,500
Alaska	0	0	0	0	0	0
South Dakota	3	42,800	3	42,800	0	0
Tennessee	2	9,200	1	3,000	1	6,200
Texas	10	121,570	9	113,370	1	8,200
Utah	3	15,850	2	11,200	1	4,650
Vermont	1	2,500	1	2,500	0	0
Washington	2	19,800	2	19,800	0	0
Wisconsin	1	6,000	1	6,000	0	0
Wyoming	2	15,800	2	15,800	0	0
U.S. total	173	1,499,820	156	1,382,680	17	117,140

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RECREATION LOANS TO INDIVIDUALS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

	Total		Recreation loans			
			Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount
State	(1)	(2)	(3)	(4)	(5)	(6)
California	1	$11,000	0	0	1	$11,000
Indiana	2	108,000	1	$100,000	1	8,000
Minnesota	1	90,000	1	90,000	0	0
New York	3	104,500	1	60,000	2	44,500
Oregon	1	15,000	0	0	1	15,000
South Carolina	0	0	0	0	0	0
Virginia	0	0	0	0	0	0
Washington	1	8,500	0	0	1	8,500
Wisconsin	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0
Puerto Rico	1	5,500	0	0	1	5,000
U.S. total	10	342,000	3	250,000	7	92,000

RURAL HOUSING SECTION 504 LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

	Initial		Subsequent	
	Number	Amount	Number	Amount
State	(1)	(2)	(3)	(4)
Alabama	42	$83,080	15	$12,980
Arizona	1	2,500	0	0
Arkansas	37	85,900	15	20,360
California	1	1,500	0	0
Hawaii	1	3,500	0	0
Nevada	0	0	0	0
Colorado	8	14,770	2	850
Delaware	3	9,500	0	0
Maryland	18	47,840	0	0
New Jersey	1	2,500	0	0
Florida	4	8,480	1	1,520
Georgia	12	21,250	4	2,200
Idaho	2	5,000	0	0
Illinois	5	8,210	0	0
Indiana	3	2,550	0	0
Iowa	30	29,470	0	0
Kansas	6	7,900	0	0
Kentucky	144	270,970	46	42,110
Louisiana	26	39,630	10	9,110
Maine	33	77,750	8	10,450
Michigan	6	12,970	1	2,100
Minnesota	1	3,500	1	1,600
Mississippi	71	150,920	14	10,500
Missouri	82	115,050	26	18,980
Montana	0	0	1	1,000
Nebraska	2	890	0	0
New Mexico	51	132,880	12	14,150
New York	2	7,000	0	0
North Carolina	47	98,320	5	3,900
North Dakota	2	3,270	2	1,590
Ohio	3	6,320	7	4,110
Oklahoma	12	27,850	3	1,200
Oregon	5	6,900	1	430
Alaska	0	0	0	0
Pennsylvania	14	25,910	4	4,040
South Carolina	14	30,450	7	9,120
South Dakota	3	4,000	0	0
Tennessee	30	46,750	4	2,700
Texas	119	189,110	30	30,190
Utah	1	3,500	1	1,000
Vermont	0	0	1	300
Connecticut	0	0	0	0
Massachusetts	0	0	0	0
New Hampshire	0	0	0	0
Rhode Island	2	4,760	0	0
Virginia	20	42,480	1	1,020
Washington	3	5,900	0	0
West Virginia	23	45,430	10	8,550
Wisconsin	5	13,500	3	3,250
Wyoming	2	3,500	1	300
Puerto Rico	118	189,200	6	5,010
Virgin Islands	0	0	0	0
U S. total	1,015	1,892,660	242	224,620

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RURAL HOUSING SECTION 502 LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Total amount	Total[1] Initial Number	Total[1] Initial Amount	Total[1] Subsequent Number	Total[1] Subsequent Amount	Senior citizens only Initial Number	Senior citizens only Initial Amount	Senior citizens only Subsequent Number	Senior citizens only Subsequent Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alabama	$12,092,840	759	$11,895,780	74	$197,060	64	$942,310	10	$9,890
Arizona	9,168,380	429	8,998,110	50	170,270	17	316,720	0	0
Arkansas	19,306,370	1,194	19,076,680	86	229,690	77	1,118,360	5	6,920
California	25,284,930	1,196	25,134,400	39	150,530	66	1,240,740	1	350
Hawaii	3,668,720	123	3,644,920	3	23,800	7	207,700	0	0
Nevada	1,929,250	79	1,918,850	3	10,400	3	71,000	0	0
Colorado	15,350,900	660	15,090,740	57	260,160	8	140,400	1	600
Delaware	4,430,740	202	4,383,240	17	47,500	2	37,550	0	0
Maryland	16,713,960	726	16,474,370	64	239,590	6	103,710	0	0
New Jersey	25,652,180	1,056	25,140,690	96	511,490	6	113,800	3	8,200
Florida	32,894,930	1,678	32,795,480	35	99,450	32	599,790	1	900
Georgia	13,951,040	792	13,660,310	131	290,730	16	233,860	5	5,500
Idaho	35,248,450	1,504	34,709,790	125	538,660	14	257,320	0	0
Illinois	28,139,660	1,376	27,569,360	176	570,300	31	561,830	4	10,690
Indiana	31,238,460	1,664	30,909,490	115	328,970	17	224,060	1	600
Iowa	22,440,820	1,271	21,791,990	182	648,830	15	225,950	3	5,180
Kansas	12,949,330	797	12,664,770	79	284,560	9	112,690	2	1,730
Kentucky	23,178,590	1,259	22,981,160	74	197,430	40	651,040	2	1,900
Louisiana	10,541,240	649	10,438,460	34	102,780	41	574,360	3	2,500
Maine	53,958,990	2,198	53,041,900	263	917,090	22	425,950	2	4,300
Michigan	37,617,550	1,789	37,098,540	151	519,010	2	41,400	2	1,550
Minnesota	13,590,950	681	13,178,940	73	412,010	5	84,650	0	0
Mississippi	21,166,610	1,225	20,716,920	114	449,690	134	2,131,490	6	8,260

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Missouri	19,410,060	1,128	18,989,140	114	420,920	31	429,890	8	7,710
Montana	5,562,380	273	5,465,970	21	96,410	4	46,000	0	0
Nebraska	11,644,640	598	11,382,970	52	261,670	9	116,900	2	10,350
New Mexico	4,857,010	302	4,792,180	18	64,830	9	119,250	0	0
New York	31,810,880	1,560	31,447,650	132	363,230	6	117,700	3	4,000
North Carolina	43,960,980	2,176	43,012,150	321	948,830	49	923,240	6	7,290
North Dakota	5,679,420	296	5,297,430	67	381,990	6	90,850	0	0
Ohio	21,310,270	1,127	21,083,900	101	226,370	10	186,990	6	13,350
Oklahoma	19,700,280	1,226	19,371,190	93	329,090	45	594,340	8	12,400
Oregon	12,033,520	582	11,914,280	38	119,240	18	331,650	3	3,680
Alaska	2,528,560	71	2,450,280	9	78,280	1	35,000	0	0
Pennsylvania	21,534,020	1,001	21,299,950	88	234,070	5	46,050	0	0
South Carolina	15,416,090	884	15,140,590	106	275,500	29	439,900	5	25,610
South Dakota	5,059,950	311	4,797,060	52	262,890	5	67,300	3	5,200
Tennessee	32,316,460	1,898	31,993,470	120	322,990	66	936,360	4	3,400
Texas	19,646,460	1,144	19,369,870	79	276,590	46	593,910	6	17,830
Utah	18,201,010	776	17,770,070	65	430,940	3	62,730	0	0
Vermont	9,055,140	447	8,767,590	113	287,550	2	24,350	1	5,100
Connecticut	6,630,040	283	6,605,720	15	24,320	1	24,000	0	0
Massachusetts	5,156,480	237	5,115,330	16	41,150	0	0	0	0
New Hampshire	4,667,920	228	4,550,450	52	117,470	0	0	0	0
Rhode Island	1,981,330	89	1,971,790	4	9,540	1	23,200	0	0
Virginia	49,142,990	2,311	48,386,090	249	756,900	78	1,408,000	9	12,980
Washington	13,611,410	695	13,166,280	108	445,130	11	176,960	3	7,200
West Virginia	20,853,290	1,047	20,564,920	84	288,370	20	365,250	4	11,400
Wisconsin	15,740,210	721	15,399,270	86	340,940	6	83,410	4	11,800
Wyoming	4,367,270	212	4,206,520	31	160,750	2	30,800	1	3,000
Puerto Rico	10,393,430	514	10,285,360	29	108,070	8	133,410	0	0
Virgin Islands	1,398,680	56	1,385,270	4	13,410	0	0	0	0
U.S. total	904,185,070	45,500	889,297,630	4,308	14,887,440	1,105	17,824,030	127	231,170

[1] Includes senior citizen, self help emergency, special section 502 and interest credit agreement loans (see pages 10 and 11).

RURAL HOUSING SECTION 502 EMERGENCY, SELF-HELP AND SPECIAL LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

[Included in page 9]

State	Emergency loans				Self help loans				Special loans			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	0	0	0	0	23	$299,150	0	0	3	$8,500	1	$500
Arizona	0	0	0	0	12	186,970	0	0	0	0	0	0
Arkansas	0	0	0	0	0	0	0	0	2	6,500	1	1,000
California	0	0	0	0	63	1,064,100	4	$8,280	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0	0	0	0
Colorado	0	0	0	0	1	18,100	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	0	0	0	0	0	0	1	3,500	0	0
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0
Florida	0	0	0	0	25	392,740	8	10,460	1	900	0	0
Georgia	0	0	0	0	0	0	0	0	1	860	0	0
Idaho	0	0	0	0	0	0	0	0	1	2,850	0	0
Illinois	0	0	0	0	0	0	0	0	1	2,000	0	0
Indiana	0	0	0	0	0	0	0	0	1	3,500	0	0
Iowa	0	0	0	0	0	0	0	0	0	0	1	1,390
Kansas	0	0	0	0	2	16,300	0	0	2	3,350	0	0
Kentucky	0	0	0	0	0	0	0	0	9	27,800	1	2,500
Louisiana	0	0	0	0	7	78,990	0	0	5	13,570	1	500
Maine	0	0	0	0	0	0	0	0	5	13,150	0	0
Michigan	0	0	0	0	0	0	0	0	1	3,500	0	0

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Minnesota	0	0	0	0	0	0	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0	0	0	3	9,980	0	0
Missouri	0	0	0	0	1	17,700	0	0	4	8,050	0	0
Montana	0	0	0	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	9	0	0	0	8	109,600	0	0	10	33,100	0	0
New York	0	0	0	0	7	143,000	4	1,790	0	0	0	0
North Carolina	0	0	0	0	6	100,100	3	6,350	12	37,990	1	300
North Dakota	0	0	0	0	10	224,880	6	7,950	1	3,400	2	4,220
Ohio	0	0	0	0	6	120,950	0	0	0	0	0	0
Oklahoma	0	0	0	0	12	154,040	0	0	0	0	0	0
Oregon	0	0	0	0	15	294,200	3	3,900	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	5	95,950	1	1,400	0	0	0	0
Tennessee	0	0	0	0	0	0	0	0	3	8,500	0	0
Texas	0	0	0	0	8	137,080	5	15,000	15	40,280	1	500
Utah	0	0	0	0	15	321,090	7	22,350	0	0	0	0
Vermont	0	0	0	0	0	0	0	0	1	3,500	0	0
Connecticut	0	0	0	0	16	400,770	7	10,700	0	0	0	0
Massachusetts	0	0	0	0	6	136,330	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0	0	0	1	1,500	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	5	14,900	1	1,220
Washington	0	0	1	$4,900	9	151,070	16	62,480	0	0	0	0
West Virginia	0	0	0	0	0	0	0	0	4	14,000	1	1,500
Wisconsin	0	0	0	0	50	1,115,200	6	15,800	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	1	1,600	5	9,750	4	9,100	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0
U.S. total	0	0	1	4,900	308	5,579,910	75	176,210	96	274,280	11	13,630

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RURAL HOUSING INTEREST CREDIT AGREEMENT LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

[Included in pages 9 and 10]

State	Initial Number (1)	Initial Amount (2)	Subsequent Number (3)	Subsequent Amount (4)
Alabama	385	$5,904,120	12	$21,320
Arizona	301	6,434,080	4	23,960
Arkansas	864	14,515,620	26	66,720
California	913	19,191,410	9	55,510
Hawaii	66	1,942,360	1	10,000
Nevada	54	1,344,400	1	2,400
Colorado	393	8,997,920	20	130,950
Delaware	100	2,233,130	6	24,850
Maryland	364	8,251,330	11	64,150
New Jersey	515	12,197,980	28	141,320
Florida	1,142	22,413,620	17	63,840
Georgia	334	5,778,960	43	63,440
Idaho	1,049	24,649,920	57	240,760
Illinois	777	16,585,320	36	154,390
Indiana	791	15,499,680	13	38,560
Iowa	435	8,346,550	18	65,990
Kansas	259	5,020,110	9	34,960
Kentucky	900	17,319,950	13	32,750
Louisiana	447	7,484,910	9	23,460
Maine	1,842	46,086,080	42	220,720
Michigan	793	16,546,900	35	123,930
Minnesota	259	5,510,660	13	49,160
Mississippi	907	15,825,250	32	104,300
Missouri	613	10,581,240	28	74,930
Montana	158	3,423,740	2	13,000
Nebraska	298	6,881,270	8	54,890
New Mexico	158	2,884,510	3	12,170
New York	539	11,031,000	15	43,140
North Carolina	1,178	23,545,590	69	213,240
North Dakota	138	3,002,030	14	39,800
Ohio	587	11,513,230	22	46,240
Oklahoma	640	10,933,030	11	41,510
Oregon	446	9,348,370	18	63,370
Alaska	25	891,750	1	5,000
Pennsylvania	355	7,829,420	17	59,760
South Carolina	498	8,728,560	28	78,500
South Dakota	132	2,531,570	7	39,090
Tennessee	1,150	19,707,990	28	71,210
Texas	629	11,177,440	22	83,870
Utah	529	12,453,820	21	167,680
Vermont	241	4,937,890	22	95,070
Connecticut	111	2,595,030	0	0
Massachusetts	92	1,850,850	1	4,500
New Hampshire	91	1,797,070	4	11,500
Rhode Island	56	1,289,290	0	0
Virginia	1,561	33,098,450	56	171,730
Washington	335	6,509,630	23	103,820
West Virginia	681	14,020,260	17	66,190
Wisconsin	446	9,910,480	17	101,280
Wyoming	68	1,348,700	3	14,450
Puerto Rico	484	9,854,190	5	27,470
Virgin Islands	32	789,500	0	0
U.S. total	26,161	532,546,160	917	3,460,840

RURAL RENTAL HOUSING LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Individuals				Organizations							
					Profit				Nonprofit			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	2	$363,000	6	$1,482,300	1	$125,000	1	$195,000	0	0	0	0
Arizona	0	0	0	0	0	0	0	0	1	$750,000	0	0
Arkansas	0	0	1	177,700	1	283,000	0	0	0	0	0	0
California	1	170,000	1	309,000	3	1,159,100	1	190,000	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	1	7,200	0	0	0	0	0	0	0	0
Colorado	2	438,100	0	0	0	0	0	0	0	0	1	$300,000
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	0	0	1	106,400	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0
Florida	0	0	0	0	2	692,450	0	0	0	0	0	0
Georgia	2	293,000	0	0	1	260,000	0	0	0	0	1	185,000
Idaho	3	238,500	2	82,050	1	652,300	2	21,500	0	0	0	0
Illinois	6	555,940	2	111,020	0	0	1	60,000	0	0	0	0
Indiana	4	998,600	1	52,500	1	375,000	1	140,000	0	0	3	34,500
Iowa	7	419,210	3	225,300	2	165,400	0	0	12	1,401,600	13	1,211,7[illegible]0
Kansas	0	0	0	0	0	0	0	0	0	0	1	57,000
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	0	0	0	0	0	0
Maine	3	1,205,000	1	51,590	0	0	0	0	2	1,087,000	6	241,000
Michigan	2	605,600	5	453,000	0	0	0	0	0	0	0	0
Minnesota	3	826,000	0	0	8	1,200,900	0	0	5	1,252,600	0	0
Mississippi	1	11,500	1	119,700	1	140,880	1	46,700	1	7[illegible]0,000	1	42,000
Missouri	2	231,310	3	171,440	0	0	0	0	1	134,400	3	196,900
Montana	1	125,400	0	0	0	0	0	0	0	0	0	0
Nebraska	3	80,800	0	0	0	0	0	0	0	0	1	8,100

RURAL RENTAL HOUSING LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

	Individuals				Organizations							
					Profit				Nonprofit			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
State	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amount (8)	Number (9)	Amount (10)	Number (11)	Amount (12)
New Mexico	0	0	1	$187,000	0	0	0	0	0	0	0	0
New York	0	0	0	0	0	0	0	0	0	0	0	0
North Carolina	0	0	0	0	3	$1,171,730	0	0	0	0	0	0
North Dakota	3	$324,400	0	0	1	135,300	0	0	0	0	1	$3,500
Ohio	1	361,000	2	57,000	10	5,795,350	6	$1,158,360	0	0	2	90,180
Oklahoma	0	0	0	0	0	0	0	0	0	0	0	0
Oregon	3	1,125,900	0	0	1	396,000	0	0	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Pennsylvania	1	160,000	0	0	0	0	2	479,500	0	0	0	0
South Carolina	0	0	0	0	1	334,000	0	0	3	$919,800	0	0
South Dakota	0	0	1	12,600	2	264,000	0	0	1	54,900	3	764,300
Tennessee	0	0	0	0	0	0	0	0	0	0	3	86,710
Texas	4	1,146,400	3	69,090	7	1,875,600	1	139,000	2	254,000	1	8,000
Utah	1	27,600	0	0	2	822,370	1	58,000	0	0	0	0
Vermont	2	171,500	0	0	0	0	0	0	0	0	0	0
Connecticut	1	420,000	1	5,500	0	0	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0	0	0	0	0	0	0
New Hampshire	1	400,000	0	0	3	2,130,000	1	720,000	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	0	0	0	0
Washington	2	526,100	0	0	0	0	0	0	0	0	0	0
West Virginia	1	72,000	1	56,800	0	0	0	0	0	0	0	0
Wisconsin	2	260,600	1	119,000	1	266,470	1	5,000	1	330,000	0	0
Wyoming	0	0	0	0	0	0	0	0	1	310,000	0	0
Puerto Rico	0	0	0	0	0	0	0	0	0	0	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0
U.S. total	64	11,557,460	37	3,749,790	53	18,351,250	19	3,213,060	30	7,244,300	40	3,228,940

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RURAL RENTAL HOUSING INTEREST CREDIT LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974 (INCLUDED IN PAGE 12)

State	Individuals				Organizations							
					Profit				Nonprofit			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amount (8)	Number (9)	Amount (10)	Number (11)	Amount (12)
Arizona	0	0	0	0	0	0	0	0	1	$750,000	0	0
California	1	$170,000	1	$309,000	3	$1,159,100	1	$190,000	0	0	0	0
Nevada	0	0	1	7,200	0	0	0	0	0	0	0	0
Colorado	0	0	0	0	0	0	0	0	0	0	1	$300,000
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	0	0	1	106,400	0	0	0	0	0	0
Florida	0	0	0	0	1	193,320	0	0	0	0	0	0
Georgia	1	75,000	0	0	1	260,000	0	0	0	0	1	185,000
Idaho	2	183,500	1	32,850	1	652,300	1	9,500	0	0	0	0
Illinois	5	454,090	2	111,020	0	0	1	60,000	0	0	0	0
Indiana	4	998,600	1	52,500	1	375,000	1	140,000	0	0	3	34,500
Iowa	2	103,930	2	107,000	1	109,400	0	0	12	1,401,600	13	1,211,750
Kansas	0	0	0	0	0	0	0	0	0	0	1	57,000
Maine	3	5,205,000	1	55,590	0	0	0	0	2	1,087,000	6	241,000
Michigan	1	560,000	0	0	0	0	0	0	0	0	0	0
Minnesota	3	826,000	0	0	7	1,089,400	0	0	5	1,252,600	0	0
Mississippi	0	0	0	0	1	140,880	0	0	1	750,000	1	42,000
Missouri	0	0	0	0	0	0	0	0	1	134,400	3	196,900
Montana	1	125,400	0	0	0	0	0	0	0	0	0	
Nebraska	1	32,300	0	0	0	0	0	0	0	0	1	8,100
North Dakota	3	324,400	0	0	1	135,300	0	0	0	0	1	3,500
Ohio	1	361,000	1	7,000	9	5,404,830	3	758,230	0	0	2	90,180
Oregon	3	1,125,900	0	0	1	396,000	0	0	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	1	319,500	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0	3	919,800	0	0
South Dakota	0	0	0	0	2	264,000	0	0	1	54,900	3	764,300
Tennessee	0	0	0	0	0	0	0	0	0	0	3	86,710
Texas	1	750,000	1	54,000	4	970,600	1	139,000	2	254,000	1	8,000
Utah	0	0	0	0	1	547,270	1	58,000	0	0	0	0
New Hampshire	1	400,000	0	0	3	2,130,000	1	720,000	0	0	0	0
Washington	1	425,400	0	0	0	0	0	0	0	0	0	0
West Virginia	1	72,000	0	0	0	0	0	0	0	0	0	0
Wisconsin	1	140,600	1	119,000	1	266,470	0	0	1	330,000	0	0
Wyoming	0	0	0	0	0	0	0	0	1	310,000	0	0
U.S. total	36	8,333,120	12	851,160	39	14,200,270	11	2,394,230	30	7,244,300	40	3,228,940

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RURAL HOUSING SITE LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Site loans: Initial: Number (1)	Site loans: Initial: Amount (2)	Site loans: Subsequent: Number (3)	Site loans: Subsequent: Amount (4)
olorado	1	$173,000	0	0
Florida	1	652,000	0	0
Mississippi	0	0	0	0
North Carolina	1	94,000	0	0
Oklahoma	0	0	2	$13,000
South Dakota	0	0	1	31,000
Tennessee	0	0	0	0
U.S. total	3	919,000	3	44,000
Self-help land development loans:				
California	1	89,000		
U.S. total	1	89,000		

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RY OF WATER AND WASTE LOANS AND GRANTS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

	Total water and waste					
	Loans		Development grants		Other than FmHA grants	
	Number	Amount	Number	Amount	Number	Amount
tate	(1)	(2)	(3)	(4)	(5)	(6)
l	35	$10,211,400	18	$2,725,300	5	$1,082,097
	8	5,140,200	6	289,400	0	0
s	38	8,312,600	14	2,655,600	1	40,000
a	12	5,498,700	9	1,052,700	0	0
raii	6	746,000	0	0	0	0
ada	4	1,245,700	1	47,000	0	0
	0	0	6	374,700	0	0
e	0	0	0	0	0	0
yland	7	2,293,500	3	1,714,000	1	642,900
Jersey	4	2,927,700	6	1,513,300	0	0
	11	14,948,900	8	3,344,900	0	0
	14	8,177,000	6	2,190,000	0	0
	7	704,800	7	383,900	0	0
	23	7,562,000	13	2,964,500	0	0
	19	9,565,000	11	2,771,000	0	0
	7	1,546,800	42	3,200,200	0	0
	15	2,311,300	9	3,374,500	0	0
y	18	5,445,000	10	1,792,000	3	883,600
a	28	4,844,500	6	971,000	0	0
	16	6,317,200	7	1,833,800	0	0
1	5	3,350,000	4	1,472,000	0	0
ta	5	2,384,000	7	1,111,000	0	0
ppi	68	11,047,100	29	3,318,200	1	100,000
	17	2,338,900	12	2,183,700	0	0
	8	2,302,000	3	261,300	0	0
a	4	1,300,000	2	1,330,000	0	0
xico	7	833,000	6	172,500	2	14,088
k	21	11.809,200	8	2,852,000	3	1,374,800
rolina	28	21,611,000	15	4,381,800	3	764,070
kota	12	1,650,000	9	1,765,000	0	0
	6	3,190,000	5	1,303,000	0	0
a	33	5,273,700	17	2,449,000	0	0
	14	3,713,000	9	773,000	0	0
ka	2	1,133,000	1	200,000	0	0
ania	25	13,580,900	6	1,914,300	2	170,000
rolina	21	8,628,300	7	1,462,500	2	96,000
kota	5	148,200	2	1,202,500	0	0
ee	37	12,239,000	38	3,008,000	4	1,633,350
	35	6,350,600	20	3,812,700	0	0
	12	1,678,400	4	480,500	0	0
	5	1,217,000	3	532,300	0	0
necticut	2	915,000	1	200,000	0	0
sachusetts	7	3,055,000	2	211,000	0	0
Hampshire	1	60,000	1	40,000	0	0
de Island	1	85.000	1	220,000	0	0
	8	1,750,300	3	208,000	0	0
ton	12	2,993,500	4	1,103,700	0	0
ginia	16	8,117,400	15	3,152,900	3	790,000
n	6	1,396,000	4	422,000	0	0
	1	166,000	3	458,500	0	0
ico	6	746,000	3	677,000	0	0
lands	0	0	0	0	0	0
S. total	702	232,859,800	426	75,876,020	30	7,590,905

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WATER AND WASTE LOANS OBLIGATED, BY TYPE, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Water systems				Waste disposal				Combination water and waste			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amount (8)	Number (9)	Amount (10)	Number (11)	Amount (12)
Alabama	5	$1,514,000	25	$5,690,400	3	$1,885,500	1	$951,800	0	0	1	$169,700
Arizona	4	4,872,000	1	50,000	2	180,000	1	38,200	0	0	0	0
Arkansas	7	3,357,500	17	1,422,200	2	481,100	6	778,100	4	$1,269,800	2	1,003,900
California	4	2,926,700	0	0	5	1,802,000	3	770,000	0	0	0	0
Hawaii	0	0	4	285,000	2	461,000	0	0	0	0	0	0
Nevada	1	773,000	0	0	3	472,700	0	0	0	0	0	0
Colorado	0	0	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	1	183,300	0	0	0	0	3	1,273,200	1	633,700	2	203,300
New Jersey	2	917,700	0	0	1	1,660,000	1	350,000	0	0	0	0
Florida	1	500,000	5	701,400	2	11,940,000	2	1,161,200	0	0	1	646,300
Georgia	3	1,266,000	1	400,000	2	661,000	5	570,000	3	5,280,000	0	0
Idaho	6	389,800	0	0	0	0	0	0	1	315,000	0	0
Illinois	6	2,038,000	5	1,215,000	10	3,353,000	1	336,000	1	620,000	0	0
Indiana	4	3,476,000	8	2,575,000	5	3,041,000	2	473,000	0	0	0	0
Iowa	3	994,000	2	84,000	2	468,800	0	0	0	0	0	0
Kansas	2	526,000	13	1,785,300	0	0	0	0	0	0	0	0
Kentucky	5	2,497,000	7	1,630,000	1	250,000	1	39,000	3	862,000	1	167,000
Louisiana	7	2,889,500	12	531,000	5	505,000	3	76,000	1	843,000	0	0
Maine	6	1,541,000	2	237,300	4	4,085,500	3	308,400	0	0	1	145,000
Michigan	3	2,920,000	1	250,000	1	180,000	0	0	0	0	0	0
Minnesota	2	570,000	0	0	2	1,678,000	0	0	0	0	1	136,000

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Mississippi	7	2,291,000	57	6,299,100	1	1,042,000	1	350,000	1	970,000	1	95,000
Missouri	2	599,000	13	1,573,600	0	0	1	50,000	0	0	1	116,300
Montana	3	1,738,000	2	17,000	1	242,000	1	25,000	1	280,000	0	0
Nebraska	0	0	4	1,300,000	0	0	0	0	0	0	0	0
New Mexico	4	186,000	1	600,000	2	47,000	0	0	0	0	0	0
New York	6	1,486,000	3	1,734,000	9	8,127,400	3	461,800	0	0	0	0
North Carolina	12	18,754,000	13	1,604,000	2	980,000	0	0	0	0	1	273,000
North Dakota	3	342,000	5	1,188,000	2	102,000	2	18,000	0	0	0	0
Ohio	3	2,866,000	2	174,000	1	150,000	0	0	0	0	0	0
Oklahoma	8	3,084,100	18	1,744,300	2	142,800	3	63,000	2	257,500	0	0
Oregon	5	2,125,000	6	333,000	2	755,000	1	500,000	0	0	0	0
Alaska	0	0	1	1,000,000	0	0	1	133,000	0	0	0	0
Pennsylvania	4	3,150,000	5	1,766,700	11	8,344,500	5	319,700	0	0	0	0
South Carolina	4	5,015,000	10	1,898,000	2	1,000,000	3	207,300	1	460,000	1	48,000
South Dakota	2	102,000	2	39,200	0	0	1	7,000	0	0	0	0
Tennessee	6	2,970,000	27	8,257,000	0	0	4	1,012,000	0	0	0	0
Texas	2	216,900	32	5,797,700	0	0	0	0	1	336,000	0	0
Utah	7	1,217,800	3	241,300	0	0	2	219,300	0	0	0	0
Vermont	3	1,080,000	1	8,000	1	129,000	0	0	0	0	0	0
Connecticut	0	0	0	0	2	915,000	0	0	0	0	0	0
Massachusetts	2	236,000	2	119,000	3	2,700,000	0	0	0	0	0	0
New Hampshire	1	60,000	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	1	85,000	0	0	0	0
Virginia	1	353,500	4	421,100	0	0	2	486,400	1	489,300	0	0
Washington	3	324,600	4	277,900	2	1,008,300	1	116,900	2	1,265,800	0	0
West Virginia	7	3,939,500	6	2,450,000	0	0	3	1,727,900	0	0	0	0
Wisconsin	0	0	1	100,000	0	0	3	667,000	1	285,000	1	344,000
Wyoming	0	0	0	0	1	166,000	0	0	0	0	0	0
Puerto Rico	1	194,000	2	278,000	2	174,000	1	100,000	0	0	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0
U.S. total	168	86,481,900	327	56,077,500	98	59,111,600	71	13,674,200	24	14,167,100	14	3,347,500

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WATER AND WASTE GRANTS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Water and waste				Water				Waste			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	0	0	0	0	8	$1,482,800	9	$640,300	1	$602,200	0	0
Arizona	0	0	0	0	2	29,600	2	50,000	0	0	2	$209,800
Arkansas	1	$548,200	0	0	4	951,000	2	160,000	3	650,700	4	345,700
California	0	0	0	0	3	601,000	2	98,000	3	338,700	1	15,000
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	1	47,000	0	0	0	0	0	0
Colorado	0	0	0	0	2	107,000	2	77,700	2	190,000	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	2	$1,157,400	0	0	0	0	1	556,600	0	0
New Jersey	0	0	0	0	1	167,300	0	0	4	1,315,000	1	31,000
Florida	0	0	3	474,600	1	55,400	0	0	3	1,644,900	1	1,170,000
Georgia	0	0	0	0	3	1,179,000	1	86,000	2	925,000	0	0
Idaho	0	0	0	0	5	288,600	1	65,300	1	30,000	0	0
Illinois	1	439,000	0	0	2	390,000	1	43,000	8	1,883,000	1	209,500
Indiana	0	0	0	0	1	1,000,000	8	1,271,000	1	250,000	1	250,000
Iowa	0	0	0	0	4	372,500	4	162,200	26	2,116,200	8	549,300
Kansas	0	0	0	0	7	2,959,500	2	415,000	0	0	0	0
Kentucky	1	348,000	0	0	3	490,000	5	574,000	1	380,000	0	0
Louisiana	0	0	0	0	5	886,000	1	85,000	0	0	0	0
Maine	0	0	0	0	2	170,000	0	0	3	1,468,500	2	195,300
Michigan	0	0	0	0	1	200,000	1	360,000	0	0	2	912,000
Minnesota	0	0	1	70,000	0	0	2	61,000	3	780,000	1	200,000
Mississippi	1	325,000	0	0	15	1,917,000	13	1,076,200	0	0	0	0

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Missouri	0	0	0	0	0	0	12	2, 183, 700	0	0	0	0
Montana	1	176, 000	0	0	2	85, 300	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	2	1, 330, 000	0	0	0	0
New Mexico	0	0	0	0	4	93, 500	2	79, 000	0	0	0	0
New York	0	0	0	0	2	265, 000	2	597, 000	4	1, 990, 000	0	0
North Carolina	0	0	1	470, 000	9	2, 912, 400	4	529, 400	1	470, 000	0	0
North Dakota	0	0	0	0	5	1, 361, 000	3	394, 000	0	0	1	10, 000
Ohio	0	0	0	0	2	605, 000	3	698, 000	0	0	0	0
Oklahoma	0	0	0	0	13	1, 670, 000	4	779, 000	0	0	0	0
Oregon	0	0	0	0	3	323, 000	4	215, 000	2	235, 000	0	0
Alaska	0	0	0	0	0	0	1	200, 000	0	0	0	0
Pennsylvania	0	0	0	0	1	750, 000	0	0	4	1, 134, 300	1	30, 000
South Carolina	1	250, 000	0	0	4	1, 057, 500	2	155, 000	0	0	0	0
South Dakota	0	0	0	0	2	1, 202, 500	0	0	0	0	0	0
Tennessee	0	0	0	0	17	1, 644, 000	20	1, 233, 000	0	0	1	131, 000
Texas	0	0	0	0	11	2, 157, 300	9	1, 655, 400	0	0	0	0
Utah	0	0	0	0	4	480, 500	0	0	0	0	0	0
Vermont	0	0	0	0	1	350, 000	1	100, 000	1	82, 300	0	0
Connecticut	0	0	0	0	0	0	0	0	1	200, 000	0	0
Massachusetts	0	0	0	0	1	136, 000	0	0	1	75, 000	0	0
New Hampshire	0	0	0	0	1	40, 000	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	1	220, 000	0	0
Virginia	0	0	0	0	0	0	3	208, 000	0	0	0	0
Washington	2	548, 900	0	0	0	0	1	36, 100	1	518, 700	0	0
West Virginia	0	0	0	0	7	1, 615, 400	8	1, 537, 500	0	0	0	0
Wisconsin	0	0	1	50, 000	0	0	1	50, 000	1	247, 000	1	75, 000
Wyoming	0	0	0	0	1	200, 000	1	92, 500	1	166, 000	0	0
Puerto Rico	0	0	0	0	2	537, 000	1	140, 000	0	0	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0
U.S. total	8	2, 635, 100	8	2, 222, 000	162	30, 779, 100	140	17, 437, 300	80	18, 469, 100	28	4, 333, 600

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RECREATION, IRRIGATION, DRAINAGE AND SOIL CONSERVATION AND GRAZING ASSOCIATION LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

	Recreation				Irrigation, drainage and soil conservation				Grazing			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
State	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Arkansas	0	0	0	0	0	0	0	0	1	$120,000	0	0
Idaho	0	0	0	0	0	0	0	0	1	100,000	1	$30,000
Indiana	0	0	2	$19,000	1	$100,000	0	0	0	0	0	0
Kansas	0	0	0	0	0	0	0	0	0	0	1	32,600
Mississippi	0	0	0	0	0	0	0	0	1	238,100	0	0
Montana	0	0	0	0	1	49,600	0	0	0	0	1	175,000
Nebraska	0	0	1	14,000	0	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	1	$153,000	1	142,500	0	0
North Dakota	0	0	1	60,000	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	1	40,000	1	60,000	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Texas	0	0	1	24,100	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	1	14,000	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0	1	870,000
U.S. total	0	0	5	117,100	3	189,600	3	227,000	4	600,600	4	1,107,600

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DEVELOPMENT GRANTS OBLIGATED FROM OTHER THAN FMHA FUNDS FOR WATER AND WASTE DISPOSAL SYSTEMS, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Appalachia				Regional development			
	Initial		Subsequent		Initial		Subsequent	
	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amoun (8)
abama	3	$711,900	2	$370,197	0	0	0	0
kansas	0	0	0	0	1	$40,000	0	0
ntucky	3	883,600	0	0	0	0	0	0
ississippi	1	100,000	0	0	0	0	0	0
aryland	1	642,900	0	0	0	0	0	0
w Mexico	0	0	0	0	2	14,088	0	0
w York	3	1,374,800	0	0	0	0	0	0
rth Carolina	1	300,000	2	464,070	0	0	0	0
nnsylvania	1	35,000	1	135,000	0	0	0	0
uth Carolina	0	0	0	0	1	46,000	1	$50,000
nnessee	4	1,633,350	0	0	0	0	0	0
st Virginia	2	554,000	1	236,000	0	0	0	0
U.S. total	19	6,235,550	6	1,205,267	4	100,088	1	50,000

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WATERSHED, FLOOD PREVENTION AND RESOURCE CONSERVATION AND DEVELOPMENT LOANS AND INDIAN TRIBE LAND ACQUISITION LOANS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Watershed protection loans				Flood prevention loans				Resource conservation and development loans			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Colorado	0	0	0	0	0	0	0	0	2	$208,000	0	0
Idaho	0	0	0	0	0	0	0	0	2	39,100	0	0
Illinois	1	$49,600	0	0	0	0	0	0	0	0	0	0
Mississippi	0	0	0	0	1	$30,000	1	$85,000	0	0	0	0
Montana	0	0	0	0	0	0	0	0	2	52,100	0	0
Oregon	0	0	0	0	0	0	0	0	1	100,000	2	$33,000
Tennessee	0	0	0	0	0	0	0	0	0	0	1	100,000
West Virginia	0	0	1	$150,000	0	0	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	1	70,000	0	0
U.S. total	1	49,600	1	150,000	1	30,000	1	85,000	8	469,200	3	133,000
Indian tribe land acquisition loans:												
North Dakota	0	0	1	500,000								
Washington	1	36,000	0	0								
Wyoming	1	1,500,000	0	0								
U.S. total	2	1,536,000	1	500,000								

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COMMUNITY FACILITY, BUSINESS AND INDUSTRIAL LOANS AND RURAL DEVELOPMENT GRANTS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974

State	Community facility loans				Business and industrial loans [1]				Rural development grants			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alabama	1	$300,000	0	0	3	$974,000	0	0	0	0	0	0
Arizona	1	52,000	1	$180,000	0	0	0	0	0	0	0	0
Arkansas	2	1,025,000	0	0	1	449,500	0	0	0	0	0	0
California	1	380,000	0	0	0	0	2	$1,500,000	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0	0	0	0
Colorado	2	65,000	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	2,500,000	0	0	0	0	0	0
Maryland	0	0	0	0	0	0	0	0	1	$14,000	1	$21,000
New Jersey	3	373,000	0	0	2	275,000	0	0	0	0	0	0
Florida	2	260,000	0	0	0	0	0	0	0	0	0	0
Georgia	0	0	0	0	1	900,000	0	0	0	0	0	0
Idaho	1	7,500	1	147,900	1	850,000	1	450,000	0	0	0	0
Illinois	1	450,000	0	0	0	0	1	40,000	2	160,000	0	0
Indiana	2	43,000	0	0	7	1,231,000	0	0	0	0	1	157,000
Iowa	0	0	0	0	1	525,000	0	0	0	0	0	0
Kansas	0	0	0	0	6	1,625,000	0	0	1	47,000	1	10,000
Kentucky	1	65,000	0	0	1	56,000	0	0	0	0	0	0
Louisiana	1	257,000	0	0	5	2,601,350	0	0	2	200,000	0	0
Maine	4	410,000	0	0	0	0	0	0	0	0	0	0
Michigan	1	1,900,000	1	225,000	2	900,000	1	100,000	2	150,000	0	0
Minnesota	2	290,000	1	30,000	2	240,000	0	0	1	45,000	0	0
Mississippi	2	365,000	1	24,200	4	1,460,000	0	0	1	62,500	0	0
Missouri	0	0	0	0	5	860,000	0	0	0	0	1	50,000
Montana	1	5,000	0	0	0	0	1	43,500	2	65,000	0	0
Nebraska	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	1	300,000	0	0	3	235,000	1	20,000	1	35,000	0	0
New York	6	1,508,000	0	0	3	3,925,000	0	0	1	260,000	0	0
North Carolina	11	2,673,600	0	0	7	2,493,000	1	40,000	5	289,100	0	0
North Dakota	3	140,000	0	0	3	980,000	4	54,000	1	80,000	0	0
Ohio	1	69,000	0	0	4	2,345,000	0	0	4	315,000	0	0
Oklahoma	1	1,300,000	1	22,000	0	0	0	0	1	80,000	0	0

See footnotes at end of table.

COMMUNITY FACILITY, BUSINESS AND INDUSTRIAL LOANS AND RURAL DEVELOPMENT GRANTS OBLIGATED, FISCAL YEAR 1975 THROUGH DEC. 31, 1974—Continued

State	Community facility loans				Business and industrial loans [1]				Rural development grants			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Oregon	0	0	0	0	1	$3,000,000	1	$25,000	0	0	0	0
Alaska	0	0	0	0	2	115,000	0	0	0	0	0	0
Pennsylvania	3	$265,000	4	$905,000	0	0	0	0	1	$20,000	0	0
South Carolina	2	107,000	1	7,000	3	755,000	0	0	2	130,000	0	0
South Dakota	0	0	0	0	2	520,000	0	0	1	137,300	0	0
Tennessee	2	375,000	0	0	4	4,950,000	0	0	1	50,000	0	0
Texas	0	0	0	0	11	3,060,500	0	0	0	0	0	0
Utah												
Vermont	5	809,000	0	0	1	200,000	1	80,000	0	0	0	0
Connecticut	0	0	0	0	0	0	0	0	2	50,000	0	0
Massachusetts	3	425,300	1	45,000	0	0	0	0	2	30,000	0	0
New Hampshire	2	615,000	0	0	1	150,000	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	1	400,000	0	0	3	3,848,000	0	0	0	0	0	0
Washington	0	0	0	0	0	0	1	5,000	0	0	0	0
West Virginia	0	0	0	0	4	805,000	0	0	0	0	1	$55,000
Wisconsin	1	1,238,000	1	45,000	0	0	1	14,000	2	70,000	0	0
Wyoming	1	57,000	0	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	2	1,800,000	0	0	0	0	0	0
Virgin Islands	0	0	0	0	1	200,000	0	0	0	0	0	0
U.S. total	71	16,529,400	13	1,631,100	97	44,828,350	16	2,371,500	36	2,289,900	5	293,000

[1] Business and Industrial loans are all guaranteed loans except the following:

	Initial	
	Number	Amount
Alabama	1	$351,000
Georgia	1	900,000
New York	1	525,000

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The CHAIRMAN. Are there any further questions? Hearing none, the committee will be adjourned until 10 a.m. tomorrow morning.

[Whereupon, at 2:30 p.m., the committee adjourned until 10 a.m. Friday, February 21, 1975.]

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

FRIDAY, FEBRUARY 21, 1975

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, Russell Senate Office Building, Hon. Herman E. Talmadge, (chairman of the committee), presiding.

Present: Senators Talmadge, McGovern, Clark, Leahy, Dole, and Young.

STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM THE STATE OF GEORGIA—Resumed

The CHAIRMAN. The committee will be in order.

The committee is honored indeed to have the distinguished Senator from Texas.

You may proceed, sir.

STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM THE STATE OF TEXAS

Senator BENTSEN. Thank you very much, Mr. Chairman. I understand that you start your committee hearings on time, and I made the mistake once of arriving 3 minutes late and found that I was down the list of witnesses. So I am not making that mistake any more with your committee.

The CHAIRMAN. We appreciate your promptness.

Senator BENTSEN. I want to thank you for the opportunity to appear before this very distinguished committee, and I want to commend you on the fact that you are holding these hearings early in the 94th Congress because I think that the current situation on agriculture is one that demands immediate action by the Congress. You are demonstrating an understanding of the seriousness of the situation.

Mr. Chairman, the economic situation among Texas farmers is one of disbelief, uncertainty, and discouragement. Cotton prices have declined 60 percent and feedlots are empty of both cattle and capital. Wheat prices have acted erratically, making planning impossible, and corngrowers cannot be certain that they are going to be able to get the seed that they need. In addition, we find that farmers have become disillusioned because of the low target prices that the present farm bill has in it, and that they have proven useless, and despite the glowing promises of Government, the disaster relief provisions have been administered so as to generate frustration rather than relief.

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Mr. Chairman, this situation is being translated into the foreclosure of American agriculture. Farmers, because of their loss of equity and because of today's very high interest rates, because of the prices they are having to pay for tractors and for equipment and for fertilizer, are having a very difficult time, more so than ever before in obtaining the necessary capital with which to farm. And just as America lives on her agriculture, agriculture survives through its ability to borrow. Farm debt has climbed to its highest point last year to an estimated $94.9 billion, an incredible 80-percent increase since 1969.

However, because of today's general economic situation, and because of the present farm program's lack of protection, banks in Texas are finding it increasingly difficult to loan agriculture capital. Whereas traditionally farmers could borrow against their support payments, many banks today are requiring farmers to have fully one-third of their capital in hand before they will talk about crop financing. This kind of requirement makes it very difficult to meet the problems today of financing.

The banks are not to be blamed for this inability to properly finance our food production effort. The farm program is inadequate in its protection. Interest rates are far too high. Bank capital has been raided by past crop losses and the depression of the livestock industry. Not only has the Government failed to provide the protection that translates into farm credit at the bank, but the Farmers Home Administration has also failed to make up the difference. A study prepared for this committee's able chairman demonstrated that FHA is now deficient by $107 million. And I share the chairman's feeling that this figure is a very low estimate of FHA's actual need.

Mr. Chairman, the economic situation facing our farmers brings to mind the wisdom of the late Bernard Baruch. He stated in his memoirs: "There is no question that the Great Depression had its origin, in part, in the agricultural malaise of the 1930's. A Nation's economy cannot be healthy when a basic element in it is sick."

This is a timely warning, and is illustrative of the urgency of the current situation.

In recognizing this, I would like to point out that the present farm bill's inadequacy is not the fault of this committee. The strong farm bill that was authorized by this committee in 1973 was drastically weakened because of the threat of a Presidential veto. This threat, however, was only a prelude to the improper administration of the 1973 act, and indeed, this country's entire agricultural policy.

Just before the formulation of the 1973 act, the USDA engineered the Russian wheat sale fiasco and allowed the depletion of our grain stocks. They sold our farmers short. They clogged our delivery system and wasted $300 million in export subsidies. I can remember the problems we were having in trying to get railroad cars during that situation, when they clogged the entire transportation system, and they were piling the grain around the country out in the open.

Now, that was followed by the illegal impoundment of rural conservation and development funds, the ill-conceived soybean embargo, where we took one of our principal customers, Japan, and told them they had no longer a stable supply of soybeans, and we turned around and saw the Japanese go down and invest almost $1 billion in Brazil

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o try to have themselves assured, continued, long-term production ınd developed into a competitor for us.

A continuing lack of emphasis on agricultural research, where back n 1955 they expended about 11.7 percent of the agricultural budget n research, today they are talking about 2½ percent on it. The looding of this country with highly subsidized imported milk products, he abortive beef price ceiling, and White House encouraged fertilizer xports, things like building $160-million fertilizer plant in Russia, inanced in part by long-term 6-percent interest rates when we had a hortage of fertilizer in this country and a shortage of capital here, hey are all examples of tragic misadministration of farm policy.

This mismanagement goes further with the USDA's refusal to roperly administer the disaster provisions of the 1973 farm bill. The Department has flagrantly and admittedly refused to properly implenent the congressional intent of the disaster provisions, despite the ntent of Congress. Nothing destroys confidence in Government faster han this type of action.

I protested this situation repeatedly in letters to the USDA but ever received a proper explanation of their action. In fact, the USDA refused my request that they meet in Texas with farmers to etter understand the situation.

Following this refusal, in January, I worked carefully with Texas armers in documenting for the President several actual cases where the USDA had clearly violated the intent of the disaster provisions. To this date I have not received an explanation from either the White House or the USDA. Mr. Chairman, I ask unanimous consent that I be able to put a letter in the record at this point.

The CHAIRMAN. Without objection, it is so ordered.

[The letter referred to follows:]

JANUARY 14, 1975.

Hon. GERALD R. FORD,
The President of the United States,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: I strongly question the U.S.D.A.'s administration of the disaster provisions of the 1973 Farm bill. Congress intended these provisions to be a protection for the American farmer as he faced the uncertainties of weather in producing our food supply. Certainly with today's need for consistent and abundant production, this protection is increasingly important.

However, the U.S.D.A., by regulation has frustrated the proper administration of the disaster provisions. In the case of cotton and grain sorghum, the U.S.D.A. ıas ruled that planting one crop over the allotment and the other under the llotment disqualifies the producer from any disaster payments. I fail to find basis for this "rule of substitution" in the current law, and the "rule" certainly as not within the intent of the Congress. There is no legislative history or record o support this type of regulation.

I enclose several actual ASCS disaster eligibility forms which serve as examples f how the U.S.D.A. uses the "rule of substitution" to forbid farmers from reeiving the protection they deserve. I cannot understand why these producers ere disqualified, particularly when the U.S.D.A. has been urging farmers to lant "fence-row to fence-row", regardless of allotment. They are producers who ave tried to respond to the Government's request to maximize production, yet hey have been refused protection by that same Government.

Mr. President, I request a review of this situation. Nothing is more disillusioning the American public than when the Government puts forth a necessary program, ıen overburdens it with confusing, restrictive regulations. I hope that in this ıse, the situation can be resolved.

Sincerely,

LLOYD BENTSEN.

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Senator BENTSEN. An equally exasperating situation has been the action of the administration in the case of meat imports. Despite the fact that our livestock market is in a hopeless depression, and is the only major world market still open to meat imports, the USDA has firmly refused to acknowledge the repeated intent of Congress by failing to utilize the established meat import limitation procedures.

The only action of the Department has been to artificially lower beef import projections with hazy promises of voluntary restraints by the beef-exporting countries. Now, if you really think they are going to do it on a voluntary basis when they have surpluses, well, I do not think you believe that, and I do not believe it either. A check of State and Commerce Department officials as well as several foreign embassies has proven how naive the Department is in asking for voluntary restraints. The world is in a beef surplus position. It is the declared policy of Argentina, Australia, and Mexico to step up their exports into this country. This can work only to the detriment of our own livestock industry, and is proof of the futility of the Department's voluntary restraint proposal.

Equally disturbing, Mr. Chairman, has been the action of the USDA to continually reverse its position on the peanut program, despite the impressive efforts of the producers to find a compromise position with the Department. If changes are necessary, the Department of Agriculture must realize they cannot make those changes unilaterally, without the Congress.

Mr. Chairman, I have built this case on the administration's past action for one reason, to illustrate the imperative need for Congress to formulate a strong, positive farm program. The administration's reaction to the present farm situation has been to say, let us wait and give the present program time to work. We cannot adopt the administration's just wait attitude.

As elected representatives, we, in Congress, we who represent the people, can see that this present program's administration is inadequate. We do not have to just wait until our farmers are in a breadline waiting for imported $2 a loaf bread and our consumers are wishing for the good old days when food prices only went up 15 percent. We should be able to act to protect the food and fiber productive capacity of this country.

We have a good chance to formulate the proper legislation. The farmers and consumers are beginning to work together. The Washington Post has editorialized: "Producers and consumers together have the strongest interest in a compromise. It would mean a level of Federal price supports high enough to insure farmers profitable operation at the high volumes that the Nation needs."

And this committee has initiated the proper action with these hearings. The only missing link is the administration, and the Congress must realize this and redouble its effort to pass legislation strong to compensate for this fact.

Mr. Chairman, the legislation must include substantially higher target prices and higher loan values. In no case should the target price be below the cost of production. The loan must be of sufficient duration to enable the farmer to properly store his commodities and effectively smooth out the boom-bust cycles.

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The loan also must be high enough to serve as adequate collateral for the next year's financing. This committee has received many suggestions from producers as to the exact target prices and loan values. I want to study these recommendations carefully as I'm sure the committee does, before actual dollar values are set. In any event, I strongly suggest that the escalator clause be in effect for the 1975 crop year. Today's rising costs are much too volatile to rely on constant numbers for proper income protection.

I would urge this committee to closely review the beef import figures of the USDA, as well as to study carefully the various beef import restrictions and labeling requirements that have been proposed.

I urge the committee to oppose the efforts of the USDA to terminat the honey and soybean loan programs. These programs must remain in effect as insurance against the challenges of tomorrow.

I would also urge the committee to guard against actions of the Department, such as holding excess stocks from the market to destroy the peanut program. In addition, we must not allow the USDA to set national allotments so low as to prevent effective utilization of the disaster relief provisions of the present farm program.

I strongly urge the committee to carefully review the administration's implementation of the disaster provisions, and suggest that they be strengthened, to avoid the permissive malfeasance of the USDA. To this end, I would suggest that a quick shift to the Federal crop insurance program at this time would not be wise, and such a proposal must be carefully considered in detail before being phased in.

I would hope that the committee would favorably consider Senator Humphrey's proposal to raise milk support prices to 90 percent of parity, a measure I am pleased to cosponsor.

Mr. Chairman, our food and fiber productive system is in serious economic straits. A strong farm program is necessary if our consumers are to expect relief from rapidly escalating supermarket prices. It is obvious from past actions and current remarks of the administration, that the Congress must formulate a farm policy strong enough to overcome administrative disinterest. I urge you to be firm in your legislative proceedings and pledge my support for substantial changes in the 1973 act. It is an absolute necessity that the Congress act to protect our basic industry from economic collapse.

Senator McGOVERN. Senator Bentsen, we are all very much concerned about the livestock crisis that I know has hit the State of Texas as it has South Dakota and other parts of the country.

One of the proposals that is before the committee now is a provision that would provide substantial purchases by the Federal Government to move in and take off some of the surplus numbers of cattle that we have in the country, process and can the beef and use it in our food assistance programs, the school lunch program, and also in some of our overseas efforts. I think it is clear that may not be the most efficient way to feed hungry people, but meat is what we have in surplus at the moment. It is also one of the most serious parts of the agricultural crisis.

How would you react to a proposal of that kind, without getting into the details?

Senator BENTSEN. Well, the general objective I think would be good, Mr. Chairman. I think you are going to have to be able to take

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some of the surplus off and keep these prices at a point where people can afford to stay in business. If you do not, we are seeing all kinds of foreclosures today. We have a lot of situations where banks have mortgages on cattle that frankly they just know the mortgages are not good at the present time. They are riding along with farmers and ranchers and trying to help them stay in the business, but they can only do that so long.

And finally, some of the bank examiners are going to force them to foreclose, and if you put these people out of the business, then I think you are going to see much higher prices in the future, and much more dependence on foreign imports.

I would agree that this kind of an emergency action would be helpful.

Senator McGOVERN. One of the problems that our livestock producers have had, and particularly the feeders have had, is the higher price of corn, and other feed. The Department of Agriculture floated a proposal here a few months ago that may have come to your attention that we change the grading of beef to require less feeding. We would rely a little more on grass and a little less on corn. I think the Department presented it in a very clumsy way. They drew the criticism of some of the consumer groups who felt that somehow they were trying to foist a lower grade of beef on the consumer at the same price. I do not think that was their intention, but they did a poor selling job on it. They have kind of backed away from it.

Are you familiar with that issue?

Senator BENTSEN. Yes, I am, Mr. Chairman, and frankly I have always felt in this country that when we are talking about feeding operations, that we carried them on too long, that we were trying to get, talking about marbleizing our beef and tenderizing it in effect, by doing so. I really believe that a shorter period of time in the feedlots is feasible, and I think we are moving back in that direction to a degree.

I think we ought to look at some of our labeling practices to see if we cannot do some things there. It ought to be explored by this committee and see what is feasible in that regard.

And I will say this, in this day of cholesterol and some of us watching our diets, a little leaner beef might be helpful.

Senator McGOVERN. I think it makes sense from the standpoint of health. I think if the consumer understood that all of that fat and marbleing is not necessarily a good break for them health wise or dollarwise——

Senator BENTSEN. Well, one of the things you have to understand, too, is you get into grassfed cattle, and you are looking at the fat, and it has more of a yellow cast to it, and they think it has to be a real white cast to that, and that is not necessarily true.

But I think the shortening up of the feeding period is something we ought to try to move to in this country.

Senator McGOVERN. Thank you very much, Senator Bentsen, for your statement. We are glad to have it as a part of the record.

Senator BENTSEN. Thank you very much.

Senator McGOVERN. Our next witness is my colleague from South Dakota, Senator Abourezk, who has recently been named by the

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Democratic Senators from the Midwest as the chairman of our conference. He is a man with a lifetime of personal experience and contact with agriculture.

So we are happy to welcome you to the committee, Senator.

STATEMENT OF HON. JAMES ABOUREZK, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator ABOUREZK. Thank you, Mr. Chairman. I appreciate this opportunity to appear before this distinguished committee as chairman of the Midwest Conference of Democratic Senators, commonly called the Midwest Caucus.

To save time this morning I want to submit a copy of our formal statement for the hearing record, and I would like, with the chairman's permission, to briefly summarize that statement.

For many years the United States had had a great luxury. We could take food production for granted.

Now, that is no longer true, and the world is now faced with agonizing questions about its ability to produce enough food for all of the people today and tomorrow. The development of a good food policy for our country may well be the most important issue before the Congress. The direction of that food policy may also decide the fate of the millions of people who do not have enough to eat right now, and the fate of millions yet unborn who may go hungry in the year 2000.

The immediate agricultural situation in our country finds the livestock industry in a state of tremendous crisis. Ranchers and dairymen are going broke, and they badly need help. Other producers are confronted with uncertainty about the future, about the level of prices and input costs later this year and beyond.

In spite of these problems, the Secretary of Agriculture of the United States sat here in this room yesterday and indicated that the present administration is against any major change in target prices in the 1973 farm law.

The attitude that farmers and ranchers can fend for themselves in a so-called free marketplace to me is a destructive attitude. It has put farmers, dairymen, and livestock producers out of business, and that attitude is an outright, active gambling with the world's food production. I think the people in this room this morning agree that America cannot afford to gamble with that food production, and we cannot afford to twiddle our thumbs waiting for the marketplace to take care of our food producers because there will not be any family owned farms and ranches in this country if we wait much longer before taking some kind of action.

The following is what the Midwest Caucus has concluded, following discussion of a great many proposals.

First of all, higher floor prices and commodity loan rates to provide price protection and to facilitate orderly marketing of the Nation's food production.

Emergency measures to aid livestock producers, including Government purchase of livestock and meat products, which is your legislation, Mr. Chairman, for feeding the hungry, and emergency credit relief for endangered livestock producers.

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I might add that I have a bill that is nearly drafted, I intend to introduce, that will come before this committee, providing for some emergency credit relief, because the credit press upon livestock producers is now too great, as the chairman is well aware.

Third, a national food and fiber reserve with adequate controls to prevent reserves from being used to break the market. The reserve would be stored on the farm.

Fourth, a major conservation program to help farmers in the fight against soil erosion.

Fifth, higher price support levels for the Nation's dairymen.

Sixth, expansion of the food for peace program to help feed the world's hungry.

Now, Mr. Chairman, these are general recommendations to this committee. Our formal statement is somewhat more specific. We are simply urging the Senate Agriculture Committee to stick to its guns, to provide farmers with reasonable price protection. We are asking for emergency action to help the livestock industry.

I might add one other thing that is not in the statement, Mr. Chairman. I notice that the Secretary of Agriculture attacked the Food Stamp Program and said that since in his opinion it was welfare, it ought to be taken out of the Agriculture Department, which would mean that it would no longer be considered along with the agriculture bill each time it comes up.

I think such a move would be disastrous because it would remove the support that we now get from urban Senators and urban Congressmen for the total agricultural bill, and I think it would be a tremendous mistake to do so. I would like to go on record as being very much opposed to that concept.

I thank the chairman and the members of the committee.

Senator McGOVERN. Thank you very much, Senator Abourezk.

Just a couple of questions.

I was impressed with the recommendations that you bring from the midwest caucus. In addition to those that you have mentioned, what would be your own personal reaction to this committee giving serious consideration of putting some kind of a price floor under livestock?

I do not mean necessarily a price support loan level or anything of that kind. I think Secretary Butz misunderstood yesterday when I put the question to him. What I am talking about is something along the line of a target price concept where if the price fell below a certain level the Government would make up the difference with a direct payment.

You would probably have to have some kind of a cutoff level so that it was aimed primarily at the modest size producer. But while we have always kind of been leery of that approach in the past, do you think the situation is sufficiently serious that we ought to at least give careful consideration to that?

Senator ABOUREZK. Well, I guess the only way I can respond to that, Mr. Chairman, is that while I was in South Dakota recently, and I think you were a witness to the same thing I was, one of the former presidents of the South Dakota Livestock Growers Association made an effort in some testimony he was presenting to compare the livestock producer with the minimum wage earner. and his sentiment was—and it was an incredible statement from somebody representative

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of the livestock producers out there who have traditionally been opposed to any Government subsidy or floor under livestock prices—and he said that the livestock men ought to have a minimum wage as well.

I think that indicates that the sentiment in our State of South Dakota is growing much stronger among livestock producers that there ought to be some kind of floor price under cattle to avoid what has happened in the last year and a half.

I am not sure that nationwide—that that sentiment has totally arrived yet so that there is a consensus or a majority, but I think it is rapidly approaching that point. I personally would not want to advocate such a program unless it is absolutely needed to save the livestock industry. But at this time, if we can get rid of the surplus and try to get the livestock market back up to where these folks are not going broke, I would be very happy with that without getting the Government into the floor price situation.

Senator McGovern. I think that is right. If we could get a strong purchase program approved and put this meat into the food assistance programs in a constructive way, that is better than a direct subsidy payment program.

Senator Abourezk. I might add, Mr. Chairman, if I might—I guess I am not telling you anything new, but for the record, if something is not done for the livestock producers around the country within the next few weeks, you are going to see many of them selling out and leaving the farm, and I am very serious about that. It is not one of the perennial threats that farmers give you. I think it is really true because they cannot continue to lose the money that they are doing. When that happens, I think you are going to see Safeway and A&P and a few other large concerns being the only companies in the cattle business, and I do not think that is good for the economy. I do not think that is good for the consumer. I am just not sure that the country could stand that.

I think this surplus purchase program really is going to save the livestock market so far as the farmer is concerned, and so far as the consumer is concerned. It is extremely important, and I just want to give you one example.

I was out in the western part of South Dakota about a week ago in a little town called Newell up in the northwestern section of my State. My brother's brother-in-law is a rancher up there. He has ranched for 25, 30 years up in that part of the country. His name is Mickey Fox, and he is probably one of the most conservative livestock men in the whole State of South Dakota, to the point that he still uses horses rather than buying a lot of equipment to operate his place.

He uses horses to pull his equipment around, what little he has, and he has always worked very hard, as most livestock men do. Mickey told me that although his land is paid for, his cattle are paid for, he owes no debts, and he is not expanding, but he is now having to start to borrow money to continue his operation. And I think that tells you an awful lot about the condition of the livestock industry. I think something has to be done about it.

Senator McGovern. Thank you very much, Senator.

Senator Dole?

Senator Dole. I have no questions.

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And I do not want to defend the Secretary, but I think his statement yesterday was that we should not increase target and loan rates to the point where it would artificially stimulate production, where the Government would end up with the huge stocks that we had in the past, and I believe that is in the written statement. I believe the oral testimony indicated a willingness to try to work out some middle ground with the committee. Nearly every member of the committee has different views on what that target price should be, and what the loan level should be, and I think we all agree, in not just the Midwest, that we are going to have to do something about those levels.

Now, we have the emergency livestock bill now that Senator McGovern and I worked on last year.

Do you suggest that some of the provisions be eased to make longer term credit?

Senator ABOUREZK. Yes, Senator Dole.

Although I do not know what your experience in Kansas has been, I just returned from a 10-day trip to my State where I talked to hundreds and hundreds of farmers, cattlemen, who say that with this program it is impossible to achieve any kind of fairness because most of the banks will not loan the money, and when they do, it is at too high an interest rate to begin with. Even with the guaranteed aspect of the loan which is supposed to bring interest rates down because the interest rate is related to the risk, banks still will either not loan or they do it so at a very high rate.

What I am suggesting, and what I think is very desperately needed, and I intend to come back to this committee to ask for it more formally, is a long term, at least a 20-year loan program at a reasonable interest rate, say 3 to 5 percent if possible. Basically, we just need a better price; but they have got to have something in order to hang on in business long enough so that they can wait for the price to come back up. And if they do not have that, we are going to empty out every small farm in the country, not just South Dakota, but Kansas, Arkansas, and North Dakota, and all around the country. I just want to bring all of the members of the committee in here so they feel the same emergency I do.

Senator DOLE. That is all I have.

Senator MCGOVERN. Senator Young?

Senator YOUNG. I think really the important point is the need for for adequate credit and at lower rates of interest. These loans you speak of draw about 10-percent interest; they are made by the local bank and up to 80 percent of the loan is guaranteed. Most cattlemen cannot afford to pay these high interest rates. That is the problem.

There is another very serious situation that could affect the cattle industry. I understand the best cattle in Australia now are only selling for about $7 a hundred. If they ease up on these import quotas it would really wreck our cattle prices. The low price in Australia is due largely to all of the money going to the Middle East for oil now. As a result, the food importing countries would rather buy wheat. They can buy a bushel of wheat for $4 or $5 and it will go much further than buying cattle for food for thin people.

Senator ABOUREZK. That is true. I must wonder if I might ask the Senator from North Dakota, are your cattle people feeling the same credit pinch up there that ours are in South Dakota?

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Senator YOUNG. Yes, they are, very much so.

Many of the younger ones will probably go broke and be forced out of business.

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Senator BUMPERS. Mr. Chairman, I came to talk about rice, but I would like to inject myself into this livestock discussion because it is not quite of equal importance in dollars, but certainly it is important.

I sold a fine herd of registered Angus to get the money to run for Governor, and I wished many times I had my Angus back, until recently, but I would like to echo what my distinguished colleague from South Dakota has just said about credit. We have a large number of small livestock farmers in Arkansas, and I am one who, I certainly hope, during my tenure here will pay more than lip service to the protection of the small farmer and the small businessman. But can tell you in my hometown of Charleston, population 1,500, and the surrounding area, a large number of fine, longtime cattle farmers are going to be wiped out this year. They have hung on and hung on and they just simply are at their ropes' end creditwise. They cannot afford to stay.

I am constantly—and I know that every Senator around this table is always confronted with the same thing—I have to promote soybean prices in my State and simultaneously tell farmers that grain prices are too high. It is a very tight rope for any Senator who has a substantial amount of both to do.

But I would like to stay in close touch with this committee and any legislation you propose to alleviate the problems of these people. I am not sure what he said about credit, but I am for it if it will alleviate credit for livestock farmers because they are going to be wiped out, and I see the big farmers moving in to fill this void.

Senator MCGOVERN. Senator Bumpers and Senator Abourezk, I think one of the reasons why the emergency livestock credit bill that we passed last year was not more lenient is that, at that time, there was the feeling that we were going to come out of this livestock slump faster than has proved to be the case. While I never did think the program was as strong as it should be, if my memory is right, most of the livestock people who testified before the committee at that time thought the bill was as liberal as was needed. Some of them thought it went too far, and I think what has now happened is that livestock people are beginning to realize we are in a slump that is not going to be cured tomorrow, that we may be in it for another year, maybe another 2 years. No one really knows.

But in any event, a 3-year repayment period, I am sure, is going to prove to be inadequate. We are already into the second year, and the interest rates are at the ceiling, in spite of the fact that the Government is guaranteeing 80 percent of that loan. The evidence is that the banks are not giving the borrower any kind of a break.

I have always thought one of the reasons you charge interest rates is that you take a certain amount of risk, but when the Government eliminates that risk, the interest rate ought to come down a little bit. I think Senator Dole will bear me out on this because he and I

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were the principal authors of that bill, that we were going about as far as the livestock spokesmen asked us to go at that time. Is that not correct?

Senator DOLE. In fact the people in my State were opposed to it altogether.

Senator BUMPERS. Mr. Chairman, do you know—and I have not had a chance to check this recently—do you know what the cattle inventory in the country is right now, as compared to a year ago?

Senator DOLE. It is down 26 percent. Feedlot placement is down 26 percent.

Senator BUMPERS. I am not talking about just feedlots.

Senator MCGOVERN. It is 131 million. That compares with 127 million last year, up to 131 million this year.

Senator BUMPERS. That does not bode well for the future. You say it was 127 million, and 131 million now?

Senator MCGOVERN. Yes.

Senator ABOUREZK. Mr. Chairman, Senator Symington of Missouri, a member of our caucus, has asked me to insert a separate and more detailed statement on his behalf, which I would like to do at this time.

Senator MCGOVERN. Without objection, that will be made a part of the record. Thank you very much for your statement.

[The prepared statement of Senator Abourezk follows:]

STATEMENT OF HON. JAMES ABOUREZK, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, I appreciate this opportunity to appear before this distinguished Committee as Chairman of the Midwest Conference of Democratic Senators, commonly called the Midwest Caucus.

As you know, the Midwest Caucus includes Democratic Senators from the states of Colorado, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, North Dakota, Ohio, South Dakota, and Wisconsin. We have worked together in recent weeks to formulate a unified stand on the agricultural situation, and my testimony today is a result of that concensus.

For many years, the United States has had a great luxury. We could take food production for granted.

That is no longer true, and the world is now faced with agonizing questions about its ability to produce enough food for all the people today and tomorrow. The development of a good food policy for our country may well be the most important issue before the Congress. And the direction of that food policy may also decide the fate of the millions of people who do not have enough to eat right now, and the fate of the millions yet unborn who may go hungry in the year 2000.

The immediate agriculture situation in this country finds the livestock industry in a state of crisis. Ranchers and dairymen are going broke, and they badly need help. Other producers are confronted with uncertainty about the future, about the level of prices and input costs later this year and beyond.

This testimony offers our general feelings about current agricultural issues and what we feel should be done to assure a bountiful supply of food for consumers at fair prices at both the production and the retail end of the food industry.

I cannot, of course, speak for the members of the Caucus on specific proposals because of the variance in agriculture among our states. However, this testimony is meant as a general overview of the Caucus members' discussion of current agricultural issues.

We offer these recommendations:

THE LIVESTOCK INDUSTRY—EMERGENCY HELP NEEDED DESPERATELY

The fact is that the livestock industry in our country is in very, very serious trouble. Many producers with smaller ranches have already gone out of business because of disastrously low market prices. And thousands more are teetering on the brink of bankruptcy.

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It is important that the Congress and the Administration recognize that the crisis in the livestock industry is genuine and that emergency action is badly needed.

In 1974, the United States had 127.7 million head of cattle. By January 1, 1975, that number had risen by over four million, to 131.8 million. But at the same time the total number of cattle was rising, the value of the livestock was dropping. In fact, those 127.7 million head were worth about $41 billion. Today, even with the increase in cattle numbers, the value has dropped by 50 per cent, to $20.9 billion.

That 50-per-cent drop in value means a drastic cut in the net worth of livestock producers. It means their collateral for loans suddenly disappeared. And it means their ability to get operating loans or long-term loans has vanished. And, of course, it means their income is below even the cost of production.

There is no industry in this country that could withstand this kind of economic devastation. And there is no reason for the federal government to stand idly by while thousands of livestock producers—the people who produce the meat for our tables—go broke.

I believe there is a growing concensus in our nation that the smaller farmer or rancher is a genuine asset in the production of food. Most people don't want anonymous conglomerates to take over. They don't want more economic power placed in the corporate hands of big chainstores or other middlemen. I believe they want a steady supply of high quality food at prices that are reasonable both in the supermarket and at the producer level.

We in the Midwest Caucus represent a diverse group of people. Our states vary from rural to predominately urban, but we all have among our constituents farmers and ranchers. Most of the following proposals for the livestock industry have won unanimous support from the Caucus. Some of the proposals are more popular in heavily agricultural states. Nonetheless, these suggestions are offered for the consideration of this Committee.

1. We support the concept of a government purchase of livestock and meat products for feeding the hungry. This approach would help cull the nation's livestock numbers while at the same time helping needy people.
2. We want emergency credit relief for producers who are on the verge of going out of business because of the livestock crisis. We feel that long-term, low-interest loans, on an emergency basis, are fully justified and are in the interests of both producers and consumers.
3. We support restrictions on meat and dairy imports when domestic market prices are low. We also support better labeling of foreign meat and dairy products and more adequate inspection standards on imported agricultural products.
4. We support improved USDA meat grading standards that will benefit consumers and producers alike.
5. We support a lower interest rate and a longer repayment period in the Farmers Home Administration's disaster loan program. This would be of particular help to producers who suffered severe losses in the blizzard that swept across the Upper Midwest in early January.
6. We believe the Family Farm Anti-trust Act is needed to put more teeth in the government's anti-trust laws and to put an end to monopolies in the food industry.
7. We also believe the Federal Trade Commission should speed-up its investigation of the food industry and of the farm-to-retail price spread.

TARGET PRICES AND LOAN LEVELS—FARMERS NEED MORE ASSURANCE

According to a Kansas City, Missouri, Star editorial on February 1, 1975, "In a pragmatic but nonetheless potentially ominous turn of events, it appears that farmers in the vast and fertile Middle West are having second thoughts over maintaining full crop production in 1975."

Farmers are crying "wolf" because they are now confronted by two wolves. On the one side is the wolf of falling grain prices and on the other is the wolf of staggeringly high production costs.

In addition to these immediate problems, farmers also face the spectre of even lower selling prices if they produce bumper crops this year.

The solution to our farm and food production problems is to provide producers with enough price security to stimulate production to an adequate level for domestic and foreign markets.

We should, therefore, increase target prices for wheat and feed grains, beginning with the 1975 crop year, with revisions each year thereafter for the life of this legislation. The target prices, or floor prices, should be set at a percentage of parity.

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The non-recourse loan program is the farmer's basic means for marketing his crop in an orderly manner. It is his guarantee that the production of his farm has a real, fixed dollar value, and it allows him to borrow in preparation for the next year's crop.

Continuation of these loan programs at a level near or above the average cost of production should help provide adequate production levels and some price stability for both producers and consumers.

DAIRY FARMERS—A DECLINE IN NUMBERS AND INCOME

There is probably no other group of people who work harder than dairy farmers. Yet, these dedicated people do not get a fair return for their hard work and high investment.

That is precisely why we had over 722,000 dairy farmers in 1969 and why we have only 470,000 today. And it's why milk cow numbers have dropped from 12.6 million in 1970 to 11.2 million now. And it's a factor in the decline in our country's milk production, which has dropped from 120 billion pounds in 1972 to about 115 billion pounds in 1974.

Because low income has driven dairy farmers out of business and reduced our national milk production capacity, we are now faced with a serious problem. By 1980, the United States will no longer be self-sufficient in milk production if the present trend continues.

That is testimony to the neglect of the dairy industry, and it is hard evidence that strong action is needed by Congress. We can continue to produce the milk our country needs only if we are willing to assure dairy farmers that their hard work will be rewarded.

We can do that by raising the price support level for milk to at least 90 percent of parity and by adjusting that price quarterly to keep it current. This action would say to dairymen, and particularly to young people who are either now in business or want to own dairy farms, that the nation is behind them and recognizes their importance.

Let us not forget that the alternative to a reasonable income level for dairy farmers is higher consumer prices. And a major dependence on foreign dairy imports.

We urge the Senate Agriculture Committee to take action to head-off any further decline in the dairy industry and to offer support to those hard-working people who produce our dairy products so faithfully.

AGRICULTURAL DISASTER ASSISTANCE—LET'S IMPROVE IT

The agricultural disaster payment program has proved to be ineffective. There are many instances of farmers who have lost a major portion of their crops but who have received little or no disaster payments. This surely was not the intent of disaster provisions in the Agriculture and Consumer Protection Act of 1973.

We recommend that deficiencies in this program be corrected. We urge the Committee to include measures to quickly identify losses eligible for assistance, to establish adjustment percentages, and to establish equitable treatment for all eligible commodities.

CONSUMER COMMODITY RESERVES—FOOD AND FIBER FOR THE FUTURE

We should establish a food and fiber reserve to help stabilize prices for both farmers and consumers and to meet domestic and foreign demand.

The majority of this reserve, acquired when prices for wheat, feed grains, cotton, and soybeans fall below target prices, should be stored on the farm. These stocks should be sold only when prices are well above parity.

The world is consuming almost as much food as is produced. For example, world wheat consumption this year is over 13 billion bushels, which is almost as much as was produced in 1973–74, the record production year.

With demand running this close to production, it is necessary to protect domestic and foreign consumers by saving in years of excess production for years when weather and other causes limit crops to levels below U.S. and world demand.

PUBLIC LAW 480—FOOD IS STILL PEACEFUL

It is estimated that some 400 million people are threatened with starvation and that 10 million will probably die from malnutrition this year.

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The PL 480 (Food for Peace) Program is needed to help alleviate the suffering of these people. We urge that funds for this program be used primarily for those countries listed on the United Nation's most needy country list.

We further urge that the United States consistently use those foods that are in surplus supply such as canned or frozen meat and non-fat dry milk, for this program.

CONSERVATION—NOW MORE THAN EVER

For many years, the nation has recognized the great need to conserve our soil and water resources, particularly in agriculture. Efforts have been made to improve farming practices and to provide government incentives for erosion control and other conservation practices.

Yet, with the dollars spent and the hard work put in by American farmers, we have won only 40 percent of the battle. It is estimated by the Department of Agriculture that 60 percent of our farm land lacks proper erosion control and sustains topsoil losses of more than five tons per acre each year.

Now that's a serious situation. But it all became more complicated in 1973 when USDA brought into production another 10 million acres. Of that total, about 3.6 million acres was natural grassland and 400,000 acres was forest. The other five million acres, or so, was idle cropland, much of which had been out of production since the 1930's.

In spite of these alarming statistics and the increasing importance of our country's food production ability, the Administration wants to eliminate agricultural conservation funds through the Rural Environmental Assistance Program (REAP), the program formerly known as the Agricultural Conservation Program (ACP). Also eliminated is the Water Bank Program, which has been aimed at preserving wetlands for wildlife.

We in the Midwest Caucus support the concept of cost-sharing to promote agricultural conservation. We believe farmers and ranchers have a strong commitment toward conservation, but we also recognize that many conservation practices are costly and out of the reach of most producers unless they have financial assistance.

It is imperative, we believe, that the U.S. Department of Agriculture maintain an on-going agricultural conservation program based on the success of the ACP. We urge the Senate Agriculture Committee to stand firmly in favor of agricultural conservation.

Our land and water resources are vital not only to the person working the soil but to consumers around the world.

I again express the appreciation of the Midwest Caucus for this opportunity to present our general views on agriculture. We offer our encouragement to this Committee in the difficult job of hammering out a major piece of food policy legislation.

Thank you very much.

[The statement of Senator Symington follows:]

STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Mr. Chairman, certain facts and economic realities attract our attention today and reflect a pressing need to reconsider our farm and food programs.

The majority of the people in the United States enjoy the world's highest standard of living.

More than half of the food and feed grains and 90% of the soybeans traded in the international markets are produced by farmers in this country.

The production wonder of our present civilization is the fact that American farmers represent only one-tenth of one per cent of the world's population, yet they provide food requirements for approximately 22 per cent of the world's population.

At the same, however, too many of our own citizens cannot afford the bounty produced on our nation's farms.

And we have farmers—efficient farmers in many cases—who are losing money. They are losing money by staying in business and are receiving no return for their investment and effort.

Since passage of the 1973 Farm Act, the price of diesel fuel has increased 92.6 per cent and the price of nitrogen fertilizer 155.5 per cent. Other farm production expenses show similar increases.

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These inflationary increases in farm production costs have rendered the loan and target prices in the 1973 legislation virtually meaningless to producers.

Food and feed grain producers are caught between rising production costs and market prices considerably below last fall's highs. Livestock and dairy farmers are being squeezed between high feed costs and interest rates, and lower cattle prices.

Lower grain prices are caused in part by the depressed cattle market and a decline in export markets. Recent cancellations of contracts for U.S. grain by the U.S.S.R. and the People's Republic of China are the most obvious examples of the latter cause.

The January, 1975, total value of all U.S. cattle was down almost 50 per cent from January, 1974, even though the number of cattle on farms actually increased 3 per cent. According to the Department of Agriculture there has been a loss of more than $20 billion in the net worth of all U.S. cattle on the farm.

Because of this economic situation, we may expect farmers to produce at less than full capacity unless they receive some assurance that they will be able to pay the increased production costs and have at least a little left over.

The quickest way for farmers to reduce their costs is to reduce the number of acres they plant, the number of livestock on hand and the amounts of fertilizer, chemicals, fuel and other production inputs they use. All these reductions will result in lower production at a time when more food and fiber is needed.

The Economic Report of the President, sent to the Congress earlier this month, states it clearly: "The year-to-year changes in incomes emphasize the increased uncertainty of earnings, which is itself a deterrent to additional investment and production."

A reduction in agricultural output will raise prices to the consumer and reduce the volume of our agricultural exports—some $21.3 billion during fiscal 1974—needed to balance the outflow of dollars for oil imports.

The value of U.S. agricultural production in paying for our oil imports can be shown by the USDA estimates on fuel use for crop production for selected commodities.

Based on 1972 averages, a gallon of fuel produced 4 bushels of wheat or 9.3 bushels of corn.

Even at current crop prices, American farmers produce enough wheat for each barrel of oil used to purchase an additional 60 barrels and enough corn to purchase an additional 100 barrels, at current world petroleum prices.

In order to stimulate agricultural production, protect American farmers and consumers and continue to export food and fiber to the rest of the world, I urge this committee to take favorable action on the following proposals:

First, beginning with the 1975 crops and revised each year thereafter for the life of this legislation, increase loan rates and target prices on all commodities included in the 1973 Farm Act, to 70 per cent loan and 85 per cent target of parity.

Based on prices paid by farmers in January, 1975, the target price for corn would be $2.50 per bushel and the loan price $2.06. The Kansas City cash price for yellow corn on February 10 was $2.96 per bushel, down from a high of $3.84 last fall.

The estimated cost of production for Missouri farmers, at 88 bushels of corn per acre, is $2.00 per bushel.

The target price for wheat would be $3.77 per bushel and the loan price would be $3.10. The Kansas City cash price for wheat on February 10 was $4.06 per bushel. It sold as high as $5.11½ last Fall.

The estimated cost of production for Missouri farmers, at 30 bushels per acre, is $4.09½ per bushel.

As shown, 1975 loan rates and target prices on corn and wheat would be less than present selling prices and considerably below recent high prices. Price supports at these levels therefore would neither cost the government any money nor increase prices to the consumer unless over-production or other market dislocations significantly lower prices.

They should provide producers with enough assurance on prices, however, to stimulate production to an adequate level for domestic and foreign markets.

Based on January farm costs, 85 per cent of parity target prices for cotton would be 64¢ per pound and loan prices at 53¢ per pound. Estimates of the cost of production range from 45¢ per pound according to USDA to 50¢ per pound according to Missouri sources.

The present situation for cotton producers is serious. Farm prices have dropped to as low as 35¢ per pound while input costs have soared. Many Missouri farmers are now being forced to sell their cotton for less than cost of production.

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An increase in target and loan rates would raise the price of cotton in the short term. This is necessary, however, to protect the cotton farmer and to maintain a domestic cotton industry.

In many areas, cotton is still vital for farm income, and nationally for the number of people employed in production, processing and for export. Also important in this time of petroleum shortages is the fact that cotton cloth uses only 2 per cent as much fossil fuel in its production and manufacture as do synthetics, therefore production and uses of this natural fiber is a most important energy saver.

Second, establish a loan rate at 70 per cent of parity on soybeans, beginning with the 1975 crop and revised each year thereafter for the life of this legislation.

Last November, Secretary of Agriculture, Earl Butz announced suspension of the soybean loan program, beginning with the 1975 crop year. He justified this action because soybean prices were high and farmers were making little use of the program.

A non-recourse loan program would provide soybean producers with an orderly crop marketing procedure and a minimum price floor.

Recently, soybean prices have fluctuated more than other agricultural prices.

Only last October 4, for example, Kansas City cash price for soybeans was $9.25 per bushel. By January 20, the price had fallen to $5.55 per bushel; a precipitous 40 per cent decrease.

It should not be necessary to raise the spector of reduced production and export restrictions to emphasize the importance of soybeans to our foreign trade.

Continuation of the soybean loan program at 70 per cent, which is near average cost of production, should help assure adequate crop levels and provide some price insurance for producers.

Third, increase the support price on milk to at least 85 per cent of parity, adjusted quarterly.

Twenty years of low milk prices have reduced the number of dairy herds in Missouri from 55,000 in 1955 to less than 6,400 today. If more dairy farmers are forced out of business, milk inevitably will be in short supply and more expensive.

We must also put lower quotas on subsidized dairy imports. Unlimited European export subsidies on their temporary surpluses of cheese are driving U.S. producers and processors out of business and will place American consumers at the mercy of foreign producers.

There can be no justification for allowing subsidized foreign products to drive American farmers into bankruptcy.

Surely we are not so shortsighted as to allow more dairy farmers to be forced to sell their herds. Where would we get a reliable supply of milk and dairy products. Twice in the last 12 years Europe has had to import from us.

American consumers cannot afford a continued lack of an intelligent policy on such a vital food supply.

Fourth is the need for affirmative action to aid the cattle industry.

As further evidence of the serious economic conditions in livestock, the total value of Missouri cattle has decreased more than $1 billion during the past year, even though the number of cattle actually increased seven per cent.

This is a catastrophic financial loss for the cow-calf operators who make up the industry in Missouri.

Reduced meat import quotas, accelerated government purchases of canned meats for school lunch, commodity food and P.L. 480 programs and expanded emergency FmHA loans to cattlemen are all necessary to help producers survive this emergency.

Fifth, establish a commodity food and fiber reserve to store unneeded surpluses from years of excess production for the years when domestic and foreign demand exceeds available supplies.

Since the Soviet grain sale in the summer of 1972, agricultural commodity markets have fluctuated wildly. A national reserve would help stabilize prices for both farmers and consumers and meet emergency domestic and foreign needs.

Two-thirds of the reserve, acquired when prices for wheat, feed grains, cotton and soybeans fall below 85 per cent of parity, should be stored on farms. These stocks should only be sold when prices are at 110 per cent of parity or higher.

Reserve goals should be at least 500 million bushels of wheat, 40 million tons of feed grains, 4 million bales of cotton and 150 million bushels of soybeans.

Sixth is the potential for consistently using U.S. surplus food commodities in the P.L. 480 program.

At the present time, there are excess amounts of meat and dairy products overhanging the market. Many countries eligible for P.L. 480 assistance could benefit from canned meat and dry milk.

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Present policy that 70 per cent of P.L. 480 funds be designated for food aid to most needy countries should be maintained.

Seventh is the continuation of soil and water conservation programs. These programs, both ACP and SCS programs pay for themselves many times over.

Agricultural run-off is responsible for the majority of water pollution. If we are to meet national water pollution control objectives, it is important to increase soil conservation work.

These programs also are important in increasing production to meet national goals for increased food and fiber exports.

Eighth is the continuation of the Food Stamp program, and at no increase in price for the stamps.

The January national unemployment rate was 8.2 per cent; a total of 7.5 million Americans looking for, but not finding, jobs.

A food and agricultural policy fostered by the government should not only give producers an opportunity to earn an adequate living but also provide all people in this country and opportunity to share in that production.

The Food Stamp program is the most broadly based program the government has yet devised to accomplish this goal.

An increase in the cost could only mean inadequate diets for more people.

Ninth is the need to strengthen the ASCS County Committee system, the basic coordination between the farmer and the federal government in the administration of the farm program.

In addition to the crop production and Agricultural Conservation Programs, ASCS County Committees also administer agricultural disaster assistance programs. To provide farmers with assistance as quickly as possible after floods, drought and other calamities, a vigorous, competent and adequately staffed County Committee system should be retained and strengthened.

For example, some counties are only now being designated as disaster areas for floods last Spring and drought last Summer.

Legislative action should correct these deficiencies in the present disaster program. This action should include: (1) Measures to quickly identify losses eligible for assistance, (2) establish adjustment percentages, and (3) establish equitable treatment for all eligible commodities.

Tenth, firms and individuals who forward contract for agricultural commodities and for meat packers who purchase from livestock producers should be bonded.

Protection for farmers from financial irresponsibility of brokers and packers who go bankrupt is needed.

These ten steps will strengthen America's farm and food programs.

With improved opportunity to earn a fair and adequate return on their investment and effort, American farmers will continue to produce enough food and fiber to provide the American consumer with the best food supply in the world and enough surplus for cash exports to benefit our balance of payments and help feed and clothe millions throughout the world.

At the same time, we could also help feed the poor, the unemployed, the aged and the underfed in this country.

We can accomplish all of these goals by a concerted and coordinated system of farm and food programs.

Senator McGOVERN. Without objection, the statement filed by Senator John L. McClellan will be inserted in the record at this point.

[The statement of Senator McClellan follows:]

STATEMENT OF HON. JOHN L. McCLELLAN, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Mr. Chairman, I appreciate this opportunity to submit a brief statement to your committee concerning the rice program.

In the 93d Congress, I introduced S. 4121, the "Rice Act of 1974," which would have applied the target price concept to the rice program for the 1975–77 crop years. The bill would have brought rice under legislation similar to that established for wheat, feed grains and cotton in the "Agriculture and Consumer Protection Act of 1973." Among the goals of the "Rice Act of [illegible] a market-oriented policy benefiting domestic users of r[illegible] tives to the rice industry to make a greater contrib[illegible] through increased production and exports; and [illegible] fluence, a measure of protection for the far[illegible]

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this committee and favorably reported to the Senate in the closing days of the 93d Congress when little time remained for its passage. I wish to express my appreciation for the committee's actions.

Some aspects of the program proposed in S. 4121, however, did not have the endorsement of the entire rice industry. It is my understanding that efforts are now underway within the industry to reach some accommodation—some mutual agreement—on rice legislation which will be beneficial and acceptable to all rice producing states and all segments of the rice industry. For this reason, in an effort to allow adequate opportunity for the parties to confer, I have not reintroduced the Rice Act. However, I hope that new legislation which comes before the Committee and represents substantial adherence to the objectives of the Rice Act of 1974 will receive the same prompt consideration as did S. 4121.

Because the need for amending the present program continues and because the Committees on Agriculture of both Houses of the Congress have, by reporting out the Rice Act of 1974, indicated their willingness to make needed changes, I wish to make some general comments on modification of present rice legislation. On October 10, 1974 when I introduced S. 4121, I stated that I wished to be associated with the "desirable goals and objectives of the new rice program" proposed in that bill. I wish to continue to associate myself with those goals and objectives to which I have already made reference. However, I hope that we can approach new proposals for rice legislation in a spirit of accommodation, taking into account the great variety of interests involved, without sacrificing too much of those desirable provisions of S. 4121 which received broad support and such prompt and favorable action in this Committee.

As in S. 4121, the keystone of new rice legislation should be stability. Present law has permitted the Secretary of Agriculture to vary rice production acreages between 1.65 and 2.4 million. Such fluctuations have not contributed to the stability of the rice industry, either as producer or supplier. New legislation should contain set acreage for as long a period as may be practicable. This would remove one of the variables that has impaired the ability of the U.S. rice industry to maintain the reputation as a reliable supplier to the world market. These acreage fluctuations have prevented long range planned by cooperators who do not know from one year to the next how much rice they will be able to grow. Increased milling capacity is necessary to the expansion of rice production; but, under present law, millers cannot make the heavy capital plant investment without some greater assurance than they now have that such new capacity can be used.

The conditions for imposing marketing quotas should be liberalized. After imposition of marketing quotas under the present program, the new grower is prevented from growing rice—often after considerable initial expenditure to commence production. New legislation should also take into account the important fact that certain areas of the country are better suited to the efficient production of rice than others, and that expansion of the rice industry into these areas will benefit domestic users and improve the competitive position of U.S. rice in the world market. Measured expansion, which can help keep production in line with an expanding domestic and international market without destroying the incentives for production, can contribute greatly to the stability and growth of the rice industry.

I want to emphasize that the need for change and improvement in present rice law continues. An expanding overseas market, where over 60 per cent of our rice is presently sold, provides an opportunity that should be seized and indications are that now is the opportune time to do so. If present efforts to effect a compromise between the parties interested in rice legislation have the effect of facilitating prompt enactment of a new rice program with the goals and objectives I have outlined here, the delay in introducing a new rice bill will have been worth while.

Thank you, Mr. Chairman.

Senator McGovern. Senator Bumpers, we will now be happy to have your statement.

Senator Young. Mr. Chairman, when you have heard Senator Bumpers, Governor Arthur Link is here and would like to make a statement.

Senator Bumpers. He sure is, and a fine Governor he is.

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Senator McGovern. Before you start, Senator Bumpers, Senator Abourezk referred to Secretary Butz' statement on the administration's position on changing the target price and loan level yesterday.

I have read it several times, and I find it a confusing statement, and I would like to ask the staff if we could take that paragraph out of the Secretary's statement and ask him to explain what it means. Let me just read it.

Specifically, this administration opposes amendments to the present target price on loan levels of the Agriculture and Consumer Protection Act of 1973, which would artificially stimulate production and again lead to Government ownership of feed grains, cotton, and wheat, and a return to potentially excessive direct payments.

It is not clear to me whether the Secretary is saying that they are opposed to any change, any amendments in the target price and loan levels because they are already convinced that such a change would stimulate production and surplus Government stocks, or whether he is saying in effect he would not be opposed to these changes if they did not increase or stimulate production, and I think we ought to get a clarification on that statement because it can be read either way, as I see it. Maybe that was intended.

Senator Dole. I do not suggest that is what they had in mind, but maybe he has been talking to Henry Kissinger.

Senator McGovern. In any event, I do think we ought to send that paragraph down and ask that the Secretary explain what it means.

Senator Bumpers. After I watched the news last night, I thought there would be blood all over the table when I got here today.

Senator McGovern. Senator Bumpers, you may proceed.

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS—Resumed

Senator Bumpers. I have a comment here, Mr. Chairman, which—I am not charging the Secretary with anything. I am saying that there is a little ambivalence about one of his attitudes about rice, which I will come to in just a minute.

I wanted to say that Arkansas is the largest rice-producing State in the country. In 1973 we produced over 22,579,000 hundredweight, and in 1974 despite disastrous weather conditions our production exceeded 34,352,000 hundredweight, leading the Nation which, as a whole, had a record year. We want to produce even more rice, but we need the encouragement and stability that come from suspended marketing quotas, an established target price, and increased allotments to do it.

I want to just address the issue of increased allotments. This year's total allotment is 1,802,916 acres. This represents a decrease from the 2.1-million-acre allotment in 1974. Arkansas' allotment decreased from 507,047 acres to 435,300 acres. Clearly, the Secretary either foresees a surplus of rice this year or is trying to give that impression since the allotment itself is figured on the basis of domestic and foreign needs, plus a carryover percentage.

And yet, the Secretary has suspended marketing quotas at the same time which in turn opens the door for rice production well in excess of allotment acreage, and with the price of rice still relatively

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favorable, we can anticipate more and more farmers across the Nation planting rice even without the security of a loan price.

Perhaps with the reduced allotment, the Secretary is signaling the rice growers that surpluses this year may drive the price further down, but by suspending quotas he is doing anything but thwarting excessive rice production; rather he is encouraging it. So long as the price of rice assures Arkansas farmers a reasonable profit, plantings will exceed allotments. But I urge this committee to consider legislation that has a minimum 2-million-acre allotment as a sign to the rice growers that Congress encourages more rice production for domestic and foreign consumption rather than less.

Farming, like any other business, needs the twin incentives of competition and growth. Our traditional growers have done a great job and served the country well, but we should not completely shut out new growers. We know we will ultimately need them.

I further endorse a target price for rice to protect the farmer's production costs. Last year, $8 per hundredweight was proposed as part of Senator McClellan's S. 4121. I would not recommend a specific figure, but I endorse the concept that there be some protection for production costs and strongly urge that the target price which has served other grain crops so well be applied to rice. As an added feature, I would suggest that the target price keep pace with the economy—that is, that an escalator feature be built into it, and that the loan price bear a percentage relationship to the target price. The loan price should not be so high that it becomes a price support in itself and encourages defaults with the CCC, but it should be sufficient to provide the loans essential for next year's rice crop.

The main detractors of expanded production assume this stance because they fear a depressed price which surplus supplies would bring. In my opinion, their fears are unjustified. The international market for rice is growing and—let's face it—agriculture is saving this country from a massive balance-of-payments deficit. Last year we had a trade deficit, but only because of the exorbitant OPEC price for petroleum products. Despite the catastrophic impact of oil prices, our agricultural exports for calendar year 1974 increased to $21.3 billion. I believe this was an increase from about $12 billion in 1973.

I might add that last year the United States exported a total of $97 billion, a very substantial increase over 1973. It was a 38-percent increase in price, but only 9-percent increase in volume, but agriculture is the thing this country is depending on to keep our trade deficit from growing still larger.

American growers now produce 2 percent of the world's rice crop, but we export two-thirds of our crop, and these exports represent one-third of all the rice that travels in the world markets. About one-half of our exports are Government controlled under programs like Public Law 480. In fiscal 1974, for example, I am told we exported about 600,000 metric tons under titles I and II of Public Law 480, and 1 million metric tons has—that is an increase of 400,000 metric tons—has been budgeted for this year.

Perhaps in the past Public Law 480 has been used more for strategic purposes than purely as an aid program designed to alleviate human suffering and starvation. But I believe the program holds much promise for the Nation and the world. Of the 1 million metric tons we

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are budgeted to sell this year under the program, we have obligated over half of that amount to Bangladesh, Cambodia, Korea, and Syria. I believe the international market is there for expanded crop production, or in any event that we should see if it's there.

I might digress a minute here to say also that in the past our exports have gone largely to Malaysia, and now of course for the first time the Persian Gulf States are beginning to take significant amounts of rice.

I believe the international market is there for expanded crop production, or in any event that we should see if it is there. What I am advocating is less tinkering with the rice market by the Government for a 2- to 3-year-trial period and more concentration on the production of rice. But as a farmer wrote me recently, he closed his letter by saying, "Broke farmers cannot feed a starving world," and I would urge that a target price mechanism be implemented which would guarantee the farmer his production costs in the event of plunging markets. If these incentives for expanded production do not work and we are faced with a glut of rice on the international market, the Secretary can always revert to imposing marketing quotas and limiting price support benefits to allotment acreage.

I urge this committee to at the very least establish a target price for rice that will guarantee production costs for a minimum of 2 million acres. In simple terms I am convinced that we must use our resources and our land to their best and fullest use—I am a strong advocate of land use planning basically because I believe in the protection of cultivatable land that is used for agricultural purposes. I think we ought to increase production if we are going to make any significant dent in feeding the hungry of the world as well as ourselves. Now is not the time to limit production, but to expand it.

That concludes my remarks, Mr. Chairman.

Senator McGovern. Thank you very much, Senator Bumpers, for your statement.

As I understand the nub of your testimony here this morning, you are asking, in effect, that rice be treated the same way we have other basic commodities with a reasonable loan level and a target price that is at a somewhat higher level.

Senator Bumpers. Yes.

Senator McGovern. We have one measure pending that I have introduced, along with a number of other Senators. It would set a target price of 90 percent of parity, and a loan level at 75 percent. Do you think that spread is within the limits of what you are talking about?

Senator Bumpers. What is the number of that bill, incidentally, Mr. Chairman?

Senator McGovern. S. 549.

Senator Bumpers. I have not had a chance to see that. That sounds pretty attractive.

I have a sort of personal whim about parity. I have never fully understood parity, and I get the impression there are a lot of people who have never really fully understood it, including the Department of Agriculture, but I had hoped that some price could be set. I am not opposed to that, and I think your proposal of 90 percent of parity as a target, 75 percent of that as a loan price, I think probably has merit.

Senator McGovern. I am not sure that the bill even uses the word

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"parity," but what we did was to figure what the parity price would be today, and then we put in the kind of escalator clause that you are talking about, so that that price would shift as the cost of production shifts.

Senator BUMPERS. There is one point, Mr. Chairman, which is certainly well taken, and that is whether you call it parity or something else. It is a device by which you can put the escalator in, and as you know, I strongly favor that.

Senator MCGOVERN. Well, I am glad you stressed the importance that agriculture plays in our total economy, including our international monetary position, If it were not for these agricultural exports, including rice, that balance-of-payments position would be an utter disaster. It is bad enough as it is, but the strain on the dollar and on our balance of payments would be impossible were it not for the favorable trade balance we enjoy in agriculture. If we are going to ask our farmers to produce for that market, as well as for the food assistance program, it seems to me the least we can do is put some floor under their efforts, so that if we miscalculate they are not going to be wiped out.

Senator BUMPERS. That is really the sense of what I am asking for here, Mr. Chairman.

Senator MCGOVERN. Thank you very much, Senator.

Senator Dole, did you have questions?

Senator DOLE. I have no questions. We all share this concern. I recall late last year there was an effort by Senator McClellan to get a piece of rice legislation passed. It was late in the session, and because of the parliamentary situation, it could not be accomplished. But I also understand there is a division of opinion among rice growers as to what would be the best approach, and that is not unheard of.

Senator BUMPERS. Yes, it is another little tightrope I have to walk, but I think that most of them are agreed on the concept, Senator Dole. I think it is the implementation, as usual, that causes a little problem, and I think the problem is probably about how you are going to use the increase in allotment, and my personal thought is that new growers ought to be enticed into the program.

As I say, ultimately, we are going to need them. How much acreage you are going to give new growers, of course, becomes a knottier problem.

Senator DOLE. I am not certain about Arkansas, but I think the division was greater when you move into other States, as compared to your State, and maybe we can come up with some approach that might satisfy 51 percent of the rice producers.

With reference to target price and loan levels, we have to be realistic, If we get the target price too high, the Government is going to end up spending a lot of money, and if we get the loan level too high, they are going to end up with a lot of product. As of January 1975, the average price as a percentage of parity to wheat was 93 percent parity, and rice was 81 percent parity.

So 90 percent of parity target price in this instance would cost somebody a great deal of money, namely the taxpayers. My view on target price is that we ought to cover cost of production. We should not be in the business of insuring every farmer a profit in this country. Most farmers would like to be assured of the cost of production, but I do not know if we can go beyond that.

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Senator BUMPERS. Senator Dole, I would like to make this observation about your comments, which are well taken, and that is I am not suggesting that we set a target price that will be an inducement to actually glut the market, which, of course, is going to push the price down, which, in turn, is going to cost the Government a lot of money to make up the difference between the target price and what the world price is, but I do not really foresee that.

What I am saying is that I think we ought to encourage production in rice for 2 to 3 years. I do not foresee any possibility, with the burgeoning markets of the Persian Gulf States in particular asking for more rice—I know that we are selling some of those countries out of Arkansas considerable amounts of rice.

What I am saying is I do not really foresee that as a danger right now. I would not suggest for a minute that the target price be set at some unreasonable level. I am not sure that I would say that the target price ought to only cover production costs. I think that we ought to entice these people into the production of rice and increase our production for a very good purpose.

One, I think the market is there. Two, it plays a significant role in strengthening the dollar and eliminating trade deficits, and I think if we encourage them to do those things which in turn benefit the country, then it is not unfair to set the target price at something a little above production costs, so that we can guarantee they are not going to be wiped out, because a lot of these farms in Arkansas are family ventures, and when they talk about their profit, you know, they are not talking about how many hours a man and his two sons are putting in to produce it, and they are entitled to some kind of profit for their labors, as well as the use of their land.

And I am just saying that I think we ought to try it for 2 or 3 years. The Secretary always has a great deal of leverage on combating a glutted rice market. For example, he can always come back and establish marketing quotas and all sorts of things like that, and penalties to go with it to cut it back.

Senator DOLE. I do not have any quarrel with that. We are going to do our best to work out some overall program that would satisfy the——

Senator BUMPERS. I understand the Secretary's argument, and I do not want to put the United States in the position of pouring out billions of dollars to support farmers because the price is glutted because they have produced too much, but I think that the risk of that is minimal.

Senator DOLE. The point is—and I think you would agree—that farmers would prefer to make a profit from the marketplace, at least in my State, and I am certain in the State of Arkansas. They do not want to wait for a Government subsidy check and rely on that for their livelihood. So we have got to design a program that makes it possible for that farmer in normal circumstances to make a profit from the marketplace, and that is hopefully what we can do.

Senator MCGOVERN. Senator Clark?

Senator CLARK. I have just one question. I asked the staff to get me these figures, and I do not have them yet, but it is true that we have the biggest rice carryover in the history of the country? I am sure of that.

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Senator BUMPERS. It is not true.

Senator CLARK. One of the largest, is it not?

Representative BREAUX. It is now about 10 to 12 million hundredweight carryover.

Senator BUMPERS. What percentage of a profit is that?

Representative BREAUX. They consider 10 million hundredwieght a safe carryover.

Senator CLARK. So we have a fair surplus.

Representative BREAUX. That is right.

Senator CLARK. Why is it that at a time when people are facing the biggest famine in history, or I think since the Second World War, we are not shipping that rice to people who need it?

Representative BREAUX. I would love to talk about that, but I better wait until my time comes.

Senator MCGOVERN. Congressman Breaux is going to be on the witness stand.

Senator CLARK. I have heard his views on this a number of times, and he and I agree, about that point anyway. But can you think, Senator Bumpers, why is it we do not ship some of that rice if we have that kind of a desire for it, and we have a surplus?

Senator BUMPERS. Let me make two points, Senator Clark. One, I feel that frankly that the carryover that they are anticipating right now will not in fact be carried over because the demand for rice is still increasing right now. I can tell you that the entire—it is my opinion, and I am not sure of this—but I believe the Texas and California crops are both virtually sold out, and I think that the entire rice crop of this country is very likely to be sold before we harvest rice this fall.

Senator CLARK. So you do not see a real surplus or carryover?

Senator BUMPERS. No, but secondly, of course, it comes down to this: we have a choice of exporting rice—and I am not sure how Public Law 480 works—we have a choice of either giving this rice to countries like Bangladesh and one or two African countries where starvation is prevalent. We can give it too them, which means the Government has to buy the rice from the farmer, or we can sell it to them, and I think the Government right now, because of its deficit and because of its trade deficit, is reluctant to buy the rice, and I do not know whether it has the wherewithal to buy the rice right now, Mr. Chairman.

I agree with you. I would like very much to see that done. I do not know what fund the United States right now could use to send rice to Bangladesh, for example.

Senator CLARK. Well, the President has the authority under the Commodity Credit Corporation, to spend the money to buy the rice to send. There is no dispute about that, but there is a dispute, I think, about whether or not we should do it, whether the will is there to do it.

Now, obviously, the President announced about 3 weeks ago that we would in fact increase our purchases and our overseas sales of rice and wheat, but it seems to me it would be particularly good in rice, if we have that kind of surplus. If we do not have that kind of surplus—well, obviously, the question hinges on that. If they do indeed have a significant surplus, it would seem that that would be logical

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to ship, even though it clearly is an expensive proposition. Rice is, I suppose, twice as expensive as wheat, is it not? And so it would be expensive, but it seems to me that that is an area where we really could help both ourselves, in terms of the surplus, and the people who need it.

Senator BUMPERS. I could not agree with you more, philosophically.

Senator DOLE. I am just checking the figures here. The domestic disappearance, projected 1974–75, would be about 36 million hundredweight, and exports are 74. So about 74.5 million hundredweight—is that all under Public Law 480?

Representative BREAUX. No; that is total exports.

Senator DOLE. How much is Public Law 480?

Representative BREAUX. Half of that is Public Law 480, so I would say rice, 2 to 1, is going overseas, and about half of that is Public Law 480, and it is my understanding that much of this increase in this fiscal year for Public Law 480 is going to be rice.

Senator CLARK. I think there is a lot more wheat than rice in that. Somebody could speak up on the staff, if they know better.

Representative BREAUX. That is correct.

Senator CLARK. I think it is about 2 to 1, wheat over rice. In any case, my only point would be, if there is indeed a surplus of rice, and if indeed we do have a desire to move it, that that would be a logical thing to move.

Now maybe—I think it hinges on whether or not there really is a surplus.

Senator BUMPERS. Mr. Chairman, I was I think reliably informed that, based on present commitments, we will probably have about 7 million hundredweight carryover, and that is just normal trade.

Senator DOLE. They are projecting 10. But that is a Department projection, and I am not critical, but who really knows?

Senator MCGOVERN. Senator Young, do you have any questions?

Senator YOUNG. No questions.

Senator MCGOVERN. Well, thank you very much, Senator Bumpers. We appreciate your testimony.

Senator BUMPERS. Thank you very much, Mr. Chairman. I appreciate the invitation to come testify here this morning.

Senator MCGOVERN. Governor Arthur Link of North Dakota is with us this morning, and Congressman Breaux has consented to defer his statement for a few minutes.

Governor Link, we would be glad to hear from you if you would like to take a seat.

Governor Link is a former member of the House of Representatives and comes from one of the predominantly agricultural States. We are happy to welcome you to the committee, Governor.

Senator YOUNG. Mr. Chairman, first I want to thank the Congressman for waiting. Governor Link is a Democrat, and he has to get back home to watch that Republican legislature. Everything Governor Link has done, he has done well. He has been a farmer-rancher all his life and he still operates a farm. He served in the State legislature for 24 years until he ran for the U.S. House of Representatives. I believe you were Speaker one session.

Governor LINK. In 1965 I was Speaker.

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Senator YOUNG. He served in the U.S. House of Representatives for 2 years, and on the House Agriculture Committee. He then ran for Governor, and was elected. That is a real outstanding record.

STATEMENT OF HON. ARTHUR LINK, GOVERNOR, STATE OF NORTH DAKOTA, BISMARCK, N. DAK.

Governor LINK. Thank you, Senator Young.

Mr. Chairman, members of the Senate Committee on Agriculture, having served, as Senator Young has just mentioned, in the 92d Congress and having served on the House Agriculture Committee, I realize very personally the very important courtesy you are extending to me, and I appreciate the time that the other persons who are on your schedule here are affording me to present my testimony.

I have been in Washington attending the mid-winter conference of the National Governors Conference and did not know that time might afford my personal appearance before this distinguished committee, but when I called your office earlier this morning and was informed that if I came over, I might be able to appear personally, I thought I owed it to my constituents that I do this, and I do appreciate your giving me this opportunity and thank the other persons who are on your list for giving me this time.

My statement is brief, Mr. Chairman, and it is not in detailed specifics. I come here to help emphasize the dramatic change that has taken place in the agricultural picture of our farm economy. It is almost incredible that an economic picture could change as quickly as this one has, and I think it is difficult, probably, for the public in general to appreciate that things have changed so quickly in so short a time.

We have gone from a period of extraordinarily high prices with good crops that did afford the farming community a very necessary and a very desirable income picture, and I think it is important to emphasize and let our Congress know, let the general public know firsthand how drastically this picture has changed, and why it is important to act and act quickly.

My statement is brief, and I shall share it with you at this time.

It is critical to the Nation's economy, urban and rural, that new farm legislation be enacted. It must be done before spring planting begins to insure the farmer, who is being asked for all-out production this year, that his investments in good faith today will not mean tomorrow's losses. That assurance to the farmer would also help assure the consumer of an adequate supply of food at a more stable price. The consumer needs this kind of protection from the ravages of inflation as badly as the farmer does.

Much is at stake in the United States in this year's farm production and the availability for export. Farm exports are a major item in the U.S. balance-of-payments, and while nonagricultural items showed a $9 billion deficit in trade last year, agriculture trade turned a substantial surplus for the United States and went a long way to help us pay for some $25 billion in oil imports.

The current $2.05 per bushel wheat target price is wholly inadequate insurance for the farmer producer today. Per acre production costs

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today are more than gross income per acre 3 years ago. Agriculture is a $500 billion industry in America. It is a very high capital venture for farmers. Tractors and combines that cost $15,000 2 and 3 years ago cost $30,000 now. If farmers cannot afford farm implements, trucks, cars, et cetera, then labor to build them will not be needed either.

Cattle producers in North Dakota lost over $135 million on last year's production. State university economists from several States agreed that when all costs are considered, it costs about $240 to produce a calf, yet at current prices stockmen were lucky to get $120 per calf. Many dairymen face a similar predicament due to low prices and galloping costs, especially feed.

Wheat producers are now skeptical of all-out production, lest the price of wheat breaks as beef and dairy prices already have. I observe there is growing support in North Dakota, and other wheat-producing areas, to cut back production by 25 percent in order to attempt to hold prices at a profitable level and to demonstrate to the Congress and the urban public that they are not economic fools. Farmers are only too familiar with price-depressing surpluses.

North Dakota farmers, who produce over 10 percent of the wheat in the United States, would like to produce the wheat the citizens of the United States and the world need. Beyond the human need, the production is also critical to the U.S. economy and its balance-of-payments problem. Without target price assurances, farmers just cannot be expected to commit the investment required.

Mr. Chairman, this concludes my formal statement. Thank you for the opportunity to present this testimony.

Senator McGovern. Thank you very much, Governor, for your statement.

Just one question. When you report the growing sentiment to cut back production on wheat, do you think that anxiety would disappear if we had an adequate target price protection in the basic legislation?

Governor Link. Personally, I feel confident that that anxiety would be alleviated.

Senator McGovern. Do you think we need full production?

Governor Link. I think with the world situation and the dire predictions of the needs of the world population, and given the tremendous importance of a nation that can answer the needs of needy people in other parts of the world, food is one of the most important factors, and from that standpoint, it is tremendously important.

Senator McGovern. So you are not disputing the call for an increase in production. You are simply saying if farmers are going to take that risk, there has got to be some kind of protection?

Governor Link. That is right. I think it is a very humanitarian response. I think it is a humanitarian goal to call for full production, and we are willing to respond.

As Senator Young pointed out, two of our married sons operate the home farm. Ten days ago they sold some of the better calves off of last year's spring crop and got $123 a head for them. At today's prices and at the cost of production, it is only half of what they should have received.

Senator McGovern. Senator Dole?

Senator Dole. I have no questions.

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Senator McGovern. Senator Young?

Senator Young. How heavy were those calves?

Governor Link. They were 1974 spring calves just under 500 pounds. At about 26 cents a pound.

Senator Young. And some are selling even lower than that, are they not? They must have had some pretty good calves?

Governor Link. Yes; that is right.

Senator Young. I just wanted to say, Mr. Chairman, Senator Dole, that the Governor very accurately represents the thinking of the average farmer in North Dakota.

Governor Link. Thank you, Mr. Chairman.

Senator Dole. Thank you, Governor.

Senator McGovern. Thank you, Governor. We appreciate your testimony.

Governor Link. And again, to those who waited in turn and let me come in so I can catch my plane, thank you very kindly.

Senator McGovern. Congressman Breaux, thank you for your patience in waiting to testify. We have had you before this committee before. We are glad to see you return.

STATEMENT OF HON. JOHN B. BREAUX, REPRESENTATIVE IN CONGRESS FROM THE SEVENTH CONGRESSIONAL DISTRICT OF LOUISIANA

Representative Breaux. Thank you very much, Mr. Chairman and members of the committee, for inviting me again to this side of the Capitol to testify. I am beginning to sound like an echo, because this is the eighth appearance I have made before a committee or a subcommittee of either the House or the Senate Agriculture Committee to testify about rice.

I would be brief in my comments, but I do think that we need to consider a few points. I will make several points I have already included in previous testimony before this committee.

It might seem a little strange to have a Member of Congress come before a committee and testify to the fact that he is satisfied with the present program governing any particular agricultural commodity.

Most of the testimony that we have heard today, and I am sure that you will hear from the remaining witnesses who are going to testify, will be to the fact that a target price for a particular product should be raised, or the supporting loan price should be raised to reflect increases in cost.

The product rice, which my district has, I guess, 4,000 rice farmers, is the largest area in the United States as far as number of acres of rice planted.

My farmers feel that we have a program which is presently operating very efficiently. I remember quite well last year when we were talking about changing the rice program, we heard testimony from people who were very concerned about the high price of the product and were looking for a program which would lower the price to the ultimate consumer of the product.

I testified at that time that the present program allowed the Secretary the flexibility to increase production by removing acreage

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restrictions, thereby lowering the price by producing more of the product.

I am here to testify this morning that that is basically what is and what has happened in rice. In 1973, when we operated under the present program, the price of rice did go up dramatically because of good crops overseas plus bad conditions here in the United States. The average price in 1973 that a rice producer in the United States received was approximately $14.10 a hundredweight. That was the price a farmer received.

In 1974, because of the flexibility of the present program has, the Secretary of Agriculture removed marketing quotas, allowed for unlimited production of rice, and that is what has occurred. The price to the farmer, and the figures of the Department of Agriculture reflect this, have dropped from $14.10 a hundredweight to the farmer in 1973 to approximately $10.50 a hundredweight to the farmer for the 1974 crop, which we are in the process of marketing right now. In 1973, we produced between 2.1 million and 2.2 million acres of rice. In 1974, because of removing the acreage restrictions, we probably have produced anywhere between 2.5 million and 2.6 million acres, a dramatic increase in the number of acres that are put into rice planting.

So what I am saying is that the present program works. We are happy with it. The price that the farmer is receiving has dropped dramatically, and I would think that is reflected in the market. When we talk about carryover or how much rice we are going to have, as Senator Clark made the point, we should be shipping a great deal more overseas in the form of aid. The point that I make is the Department right now is predicting, and I think Senator Dole's figures show that a carryover of approximately 11 million or 12 million hundredweight of rice which will be carried over, and the Department considers 10 million hundredweight a safe figure to maintain proper balance.

But I will point out to the chairman and to the committee members that they are projecting that on the basis of a million tons of rice being programed under Public Law 480 for the fiscal year 1975, and right now, as we are sitting here today, they have programed approximately 500,000 tons.

In other words, they have only reached half of their fiscal year 1975 commitment of Public Law 480 shipments of rice. Their carryover figures are based on reaching that entire 1-million-ton goal, which, in my opinion and the opinion of the people in the industry, I think, is going to be pretty near impossible to reach because of very tight milling conditions and a physical impossibility to ship out that much in the remainder of this fiscal year.

Senator McGovern. It means they will have to move as much in 4 months as they did in 8 months.

Representative Breaux. That is exactly right, and I do not think that is quite possible, and the reason I point that out is because the carryover figure, I think, at the end of year is going to be quite higher than they are projecting now, because they are using the 1-million-ton figure to project that carryover.

Now, Senator Clark made the point of why should we not be sending more to Bangladesh. Well, we have some practical problems. We have a legislative problem. The practical problem is that the ports in Bangladesh can receive approximately 25,000 tons of grain a month,

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total grain, wheat, rice, or anything else we might be shipping. So if we ship them only rice for the remainder of this fiscal year, we could only get approximately 100,000 tons, and, of course, they consume not only rice but wheat and other commodities.

We also have the legislative problem of shipping rice under the 70/30 MSA limitation, which limits non-MSA countries to no more than 30 percent of the total amount programed under titles I and II of Public Law 480. That has hurt the product rice probably more than any other product.

Senator McGOVERN. Congressman, would Bangladesh be in the 70-percent category?

Representative BREAUX. Bangladesh would be in the 70 percent. So would India. India dces not eat rice, by and large.

Senator DOLE. What about Cambodia and Laos?

Representative BREAUX. Cambodia is under the other restriction of $177 million in total foreign aid restrictions, which would have a limit placed on that country separate from the 70/30 limitation. So what I am pointing out is that the countries that fall within that 30-percent limitation are basically the rice consuming nations to which we export, like South Korea, South Vietnam, and we are left with Bangladesh and India. And as I pointed out, the Indians are a wheat-consuming nation rather than rice, and Bangladesh has some real practical physical restrictions. So this is the point of what I am saying, the reluctance of the Department to program half of what they project as their ultimate goal, and the 70/30 percent limitation, which has caused this industry some real severe problems, could produce some disruptions.

OK; what are we going to do about rice? I think that, as a result of last year's prolonged discussions and the downright fight within the industry, with the Department, with exporters, with consumers, with rice millers, I think that most people in this industry think some changes are inevitable.

Since December 1974, I and a number of other people and Members of Congress and Senators have been working very hard within the industry to come up with a compromise proposal that would be acceptable, and I guess most of the proposals that we considered are not in full agreement by anybody. Perhaps the kind of compromise where no one is really happy but everybody feels they can live with the program, is the type of proposal we might end up with.

Senator DOLE. I want to get back to the first point, I raised a question the other day with Deputy Assistant Secretary Bell. I asked a specific question, whether or not we were going to be able to deliver all of this under titles I and II prior to the end of the fiscal year.

He did indicate some difficulty under title I, because they are in the process of making agreements, and he did not see any difficulty under title II.

Mr. Bell said, we do expect, in the case of title I to have to have a lot of luck to get the wheat and rice moved that we have committed ourselves to do. Then we asked another question, what are you going to do about it? He says, which I think is encouraging, "I think, Senator Dole, it would be close to the 5.5 million. If we are short, I do not think it would be more than 200,000 to 300,000 tons. Our most

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difficult problem, in fact, lies in the rice and not in the wheat." Now, coming from Kansas, I took heart from that, but I can understand your distress. So we will work on the rice part too.

So there is some hope that it is not going to be much more than the 300,000. I do not know where it is going to finally end up.

Representative BREAUX. Senator, you make a very good point. We have the Department saying it has a lot of problems with programing that million ton goal. The point I make is that we are projecting a carryover. Even if they got that 1 million tons they are projecting that carryover at 11 or 12. Now, if they do not get to that 1 million goal, which I do not think they will—I hope they do—but if they do not, you are going to see a carryover of a great deal more than the 11 million hundredweight they projected, and still we can produce all of the rice, and I am sure your farmers can produce all of the wheat and grain we need to feed the rest of the world.

As I said the last time I was here, it is a question of how much of a financial commitment that this country is willing to make on the food for peace programs, and we are very concerned in my industry that overproduction is not going to aid anyone because we are not going to end up selling it and we are not going to end up giving the farmer a decent price for the product.

I guess, in summary and in my final statement, that people within the industry—and I am including consumer groups that I have talked with and other people I have met with, exporters, millers, and rice producers from all of the States, have been sitting down and have been making some very diligent affirmative efforts to try to come up with a compromise proposal that we can submit and say this is not liked by everybody in total, but it is a program on which we can come to some agreement and then come back to the House and the Senate with that program.

Senator MCGOVERN. Congressman Breaux, in that spirit, how did you react to the general recommendations that Senator Bumpers made on rice? Where are the differences or the similarities in the Arkansas rice people as over against the rice growers you represent?

Representative BREAUX. If Senator Bumpers agreed with your idea that you pose of an existing bill that has a target price figure of 95 percent of parity, or 90 percent of parity, and a loan level at 75 percent of parity, I think all the people that I represent would love to see that type of a program.

Senator DOLE. Maybe for 1 year.

Representative BREAUX. For 1 year, but I am realistic and knowledgeable enough and, I think, practical enough to realize that my rice producers and millers and members of the industry also do not want to see a product supported at a figure higher than what we can sell the product for. There is no one who wants to grow rice or wheat for the Government, because that does not help anybody.

So I think if you are going to go to a target price program, we should get a figure that takes in cost of production and does not act as an incentive to produce but, at the same time, takes care of the farmer when you have a very bad year and prices fall below what it costs him to produce the product.

Senator MCGOVERN. Rice, as a matter of fact, was not included in the bill that I asked Senator Bumpers about, but I was trying to draw

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out of him whether the general concept of that bill was applicable to rice.

Representative BREAUX. My first choice, and as I think I have said today, is the present program, because I think it has the flexibility built into it to operate very efficiently, and in the event that a change is going to be made, we are working and trying to come up with some proposals that I think would be suitable for the Congress and for everybody involved.

Senator McGOVERN. But your farmers are generally satisfied with the present program?

Representative BREAUX. Very much so.

Senator McGOVERN. Thank you, Congressman.

Senator Dole, did you have any additional questions?

Senator DOLE. I just want to make certain I understand.

Now, you are in accord with the announcement by the USDA on December 31. The title says, "1975 crop rice marketing quotas lifted, acreage allotment proclaimed".

Representative BREAUX. Well, you set the acreage allotment, in other words, to figure out what the support and loan will be based on, but you open it up so anybody can plant outside the acreage allotment. That is what that meant and, of course, under that program, we still have a set figure of acres that are planted under the program that can benefit from the support figure in case the price falls out. But when they release marketing quotas, of course, you allow anyone to plant any amount they want, and that is what happened, and that is why we got more rice than we had last year. And the price is some $4 a hundredweight less this year than it was last year for the farmer.

Senator DOLE. I do not know what the purpose of that was. It might have been to encourage rice to come under the target price program. But you will agree that there are different views among rice producers, right?

Representative BREAUX. Yes, sir, Senator. I have 4,000 rice producers, and I guess we have 3,000 different views, and as a Member of Congress from that area, I am trying very hard to try and get what is best for the people that I represent, what is good for this country and for the world and come up with that magical formula. I have been trying very hard to find it for 2 years.

Senator DOLE. The record should show in fiscal 1974 the cost of the Public Law 480 rice program was $322—almost $323 million. The wheat program cost was almost $200 million in 1975, but my point being there is going to be some selling to do on the House side, this year, I would think, with that new Congress over there. So you are going to have your hands full. Maybe we can work it out over here and you can help us on that side.

Representative BREAUX. I am willing to go anywhere I figure I have a chance of working it out.

Senator DOLE. Well, the House may be the last place to visit then.

Representative BREAUX. I am not going to really argue about that. Thank you, Mr. Chairman. Thank you, Senator Dole.

Senator McGOVERN. Thank you, Congressman, for your testimony. Our next witness is Mr. Melvin H. Middents.

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STATEMENT OF MELVIN H. MIDDENTS, DIVISION VICE PRESIDENT, COMMODITY MARKETING DIVISION, CARGILL, INC., MINNEAPOLIS, MINN., AND CHAIRMAN, AGRICULTURAL POLICY TASK FORCE, NATIONAL GRAIN AND FEED ASSOCIATION

Mr. MIDDENTS. Thank you very much, Mr. Chairman and members of the committee.

My name is Melvin H. Middents. I am a division vice president of Cargill, Inc. I am first vice president of the National Grain and Feed Association and am appearing today as chairman of its Agricultural Policy Committee. The national association has over 1,000 members whose operations include every aspect of the grain handling, merchandising, exporting, processing and feed manufacturing industries from country elevators to major grain firms. In addition, we have 48 State or regional associations affiliated with the national association representing over 10,000 grain, feed and processing firms throughout the United States.

Mr. MIDDENTS. This testimony supplements testimony which we submitted to the Agricultural Production, Marketing, and Stabilization of Prices Subcommittee of the Senate Agriculture and Forestry Committee on March 21, 1974.

We believe that current farm policy issues fall into three major areas. First, what is the best way to support farmers' efforts to increase grain and oilseed production? Second, what kind of reserves program best serves national interests and international needs? Finally, what kind of surveillance should Government exercise over agricultural exports?

First, regarding support for farmers, a program to provide reasonable support to farmers in their efforts to expand production must address two kinds of risks. On the one hand, a combination of bumper harvests this summer and weak domestic and foreign demand because of worsening economic recession could result in low farm product prices in the face of today's high input costs.

The effective price support level (whether that level is created by a target price, a loan support or a Government acquisition price for reserves) will affect the longrun equilibrium price for grains. An unduly high effective level of support will increase the governmental costs of farm programs, including potentially excessive Treasury costs for direct payments, accumulation of excessive stocks in governmental hands, the need for export subsidies to aid in disposing of surpluses and return to heavy dependence on production-restricting measures like set-asides. Excessively high support levels would also adversely affect the livestock industry and consumers. Yet, farmers need protection against financially disastrous price levels. Thus, a balanced program to support farmers should avoid erring in either of these directions.

Many suggest that current target price levels should be increased to provide greater support to farmers. Higher target prices, however, impose serious risks.

Because demand for grains and oilseeds is relatively inelastic in the short run, a small surplus or a small deficit may establish the price level for the whole crop. A small surplus could lead to large govern-

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mental payment obligations under the target price mechanism. Realistically, however, there will be political and economic pressures to limit Federal expenditures.

The budgetary cost, however, of buying the small surplus may be substantially less than the Federal cost of direct income payments to cover the difference between market and target prices on the eligible share of the crop. The fact that lower consumer prices could be offset against these budgetary outlays is at best an ambivalent advantage. Since the U.S. exports about one-quarter of its corn, one-half of its soybeans and three-fifths of its wheat, much of this apparent advantage would go to foreign customers.

For these reasons, Government may prefer to purchase the small surplus at target price levels with the intention of reselling it later in future years. This effort to reduce budgetary costs would transform an income maintenance program into a price support mechanism at levels which would stimulate competitive production abroad. This risk therefore suggests that target price levels and the target price concept ought to be reexamined. Reasonable support for farmers without the potential problems of target prices, in our opinion, can be provided by a combination of limited, conscious reserves and loan programs for wheat, feed grains and soybeans that protect against prolonged disastrous price levels.

There appears to be general agreement that current loan levels—$1.10 for corn and $1.37 for wheat—are too low. Given the economics of world grain production, loan levels of $2 per bushel for corn and $3 per bushel for wheat would be too high. Since soybean farmers face similar risks as grain producers, they deserve price support protection as well. A price support of $2.50 per bushel for soybeans would be too low, and one of $5 per bushel would be too high. Comparative production costs and yields indicate that a soybean loan level should be approximately 2.5 times the corn loan level.

Price supports for these primary commodities should avoid the risks of disastrously low prices over time on the one hand and inflexibly high supports that stimulate excess production over time on the other hand. They should strike a balance between these two extremes and encourage market forces of supply and demand to govern in most circumstances.

During this interim period of uncertainty, farmers may deserve a somewhat higher, but temporary, incentive to stimulate expanded output. This could be done through a governmental commitment to purchase limited quantities of grains and oilseeds at agreed upon price levels, if market prices drop to those levels. These quantities could be purchased under Commodity Credit Corporation charter authority and held as reserves insulated from the marketplace.

Addressing ourselves to reserves, in our opinion, any successful reserves policy needs to meet several objectives. First, since demand for grains and oilseeds is relatively inelastic in the short term at both high and low price levels, a reserve should eliminate extreme price peaks and troughs. Reasonable price movements perform valid economic functions—allocating supplies and signaling needed production adjustments. Abrupt and very large price movements, however, disrupt the economy and adversely affect the welfare of consumers and producers.

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Second, a reserves program should insulate designated supplies until needed in periods of shortage. Reserves policies should strike a reasonable balance between this goal of assured supplies and the goal of stable prices.

Stocks carried in the private sector contribute toward achieving these goals, but there are limits to the degree of supply assurance they can provide. Private parties in the marketplace—from farmers through merchandisers to processors—are prepared to carry stocks needed to deal with risks of shortfalls that can be foreseen with reasonable accuracy. They are motivated by the hope of earning a profit on the services they perform.

Some risks of farming, however, cannot be foreseen. Yields and production will fluctuate. The timing, magnitude and duration of such fluctuations cannot be known in advance. The fact that governmental decisions programing set-aside acreage must be made 12 to 18 months before harvest only heightens the potential impact of these uncertainties.

These risks cannot be insured against, then, simply by planning production to meet anticipated needs. Because the incidence of these risks cannot be foreseen, private parties alone cannot provide insurance against them. Since costs of acquiring and holding stocks against some risks exceed probably private benefits, privately held reserves may not protect the public from serious, unpredictable shortages.

By contrast, the old program—default under the loan and resale at 115 percent of the loan—erred at the other extreme. It held market prices artificially low and stable. Moreover, the low release price brought these stocks back into the marketplace too early. Therefore, a conscious reserves policy should maximize the advantages of private stockholding while buttressing these with residual governmental authorities that insulate designated stocks into periods of serious need.

Third, any U.S. reserves program should encourage broader sharing of the burdens of maintaining stocks. Both importing and exporting nations gain from sensible stock management policies. All wealthy nations should assume some of the costs of financing reserves.

Finally, a U.S. reserves program should avoid price commitments embedded in international commodity agreements. Both developing countries and the European Community would like to fold a reserves program into an international commodity agreement. This would stabilize their foreign exchange earnings, provide them access to markets at the expense of U.S. exports and conceal their protection of domestic producers.

Such price commitments would have U.S. consumers subsidize, through artificially high prices, increased agricultural production abroad. This expanded output eventually would displace U.S. exports. The result would be foreign markets lost to others, reduced U.S. foreign exchange earnings, fewer jobs and less income in this country and a disproportionate share of the costs of reserves falling upon the United States.

Thus, there are three critical elements of any successful reserves program. First, there must be a wide band between governmental acquisition and release prices. Second, clear limits must be imposed on the quantities of stocks that can be held in governmental hands.

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These two features strike a reasonable balance between stable prices and assured supplies. They permit market forces to function in normal circumstances while protecting designated supplies into periods of most critical need. The third necessary feature is agreement upon total carryover levels that would trigger acreage and production adjustments.

Specific provisions are difficult to develop in today's uncertain climate. The following guidelines, however, define the major characteristics of our proposals: (1) There should be stock policies for wheat, feed grains, and soybeans; (2) carryover objectives should be related to total annual utilization and to: (a) The costs of storing the commodities; (b) the historical pattern of world fluctuations in annual production and consumption; (c) the use of the commodity for food or feed; and (d) the effects of different stock-carrying levels in the willingness of others to assume some stock-carrying responsibilities. Reasonable carryover levels for each of these might lie between one-tenth and one-third of total annual utilization, depending on the commodity; and (3) wherever possible, private parties ought to be encouraged to carry as much of the carryover objective for each commodity as possible, with the Government functioning only as the residual buyer or seller. Governmental stocks should be limited and probably should not exceed one-half of the carryover objective. A program implementing this would include: (a) A governmental acquisition price that would be set at some specific level above the loan and below long-term equilibrium; and (b) a release price at least twice the acquisition price and below which the Government could not sell from its reserve stocks.

A wide price band free from governmental interventions in the marketplace is desirable to facilitate allocation of supplies and signaling of production responses. An efficient, responsive American agriculture depends on market pricing for these signals and production incentives. Governmental intervention in this market must, therefore, be of a predictable and limited nature. A policy developed along the lines of our proposal meets stockholding objectives consistent with an effective market system.

Last, regarding export surveillance, poor harvests overseas in 1972, strong economic performance of the industrial economies in 1973, and disappointing U.S. crops in 1974 have drawn attention to export surveillance policies. The massive Russian purchases in 1972 and the fear of similar events in the future seem to have replaced a policy of no export monitoring with demands for rigid export licensing and control programs. In our opinion, a more balanced assessment of problems and policy tools suggests constructive alternatives.

In the first place, U.S. agriculture generally has been characterized by a surplus of grain and oilseed supplies over commercial demand. Land has been held out of production, and people and resources have left farming. While food supplies are currently tight, available evidence suggests that these shortages may be temporary rather than chronic. If today's shortages prove temporary, the United States will badly need the foreign markets that we have so carefully encouraged in the past. If these circumstances develop, it is premature to superimpose a rigid licensing and control system on U.S. farm exports.

Although prospects for supplies over time remain uncertain, cyclical fluctuations in supply and demand from year to year can be expected.

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Price responses can accommodate minor fluctuations, during grain away from feeding uses in periods of scarcity and encouraging expanded feeding as supplies return to comfortable levels. An insulated reserve that absorbs excess stocks and carries them into periods of real need can meet more extreme fluctuations. Such reserves serve domestic supply needs without invoking export controls.

America shares a fundamental interest with other nations in avoiding such controls, since they disrupt traditional commercial relationships and encourage more actions like that of OPEC. While controls on exports may be required in extraordinary cases, market adjustments and an effective reserves program are preferred alternatives.

Improved surveillance of international market developments and exports, however, does make sense. The purpose would not be to control exports but to anticipate market disruptions. The data provided by the current export reporting system are useful when properly interpreted. Improved reporting on world production, consumption, and stocks would reduce uncertainties and surprises. The governmental monitoring of buying intentions of major foreign customers undertaken by USDA this year has seemed to help, although the prior approval program may be too rigid. Better surveillance—backed by cooperative dialog with importing nations, when necessary—should serve the interests of all avoiding both export controls and market disruptions.

Mr. Chairman, thank you for this opportunity to discuss important farm policy issues. The National Grain and Feed Association is anxious to assist your deliberations in any way it can.

Senator McGOVERN. Thank you, Mr. Middents, for your testimony.

In your statement you make the argument in warning against the target price concept, but since we export a high percentage of our crop, that tends to work in favor of foreign consumers to a considerable extent.

Is that not one of the advantages of the target price concept, that it enables us to stay competitive in international markets at a time when those markets are very important to us?

Mr. MIDDENTS. It would enable us to stay competitive, but in the case of wheat, for instance, it would mean subsidizing foreign use of three-fourths of our wheat production, which might or might not be acceptable, in our opinion, to some of the consumers in this Nation at this point.

It might be more practical as an alternative temporarily to purchase some of this small surplus and carry it over into future years when we need it rather than allow it to clear the market at low prices this year and have billions of dollars in direct payments from the Treasury support major producers.

Senator McGOVERN. At the present time, though, that market price is well above the target price, is it not?

Mr. MIDDENTS. Oh, yes, very much so.

Senator McGOVERN. So there is some leeway in terms of an upward adjustment on the target price before we would bump into the anticipated market price, is there not?

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Mr. MIDDENTS. Well, I am not predicting what prices may be next year. I think this would be very dangerous and difficult, but if we do produce 1 billion to 1½ billion bushels more of corn next year than we are consuming and exporting this year, and 400 million bushels more wheat—that is not a prediction; that is just stated as a possibility—I think it is possible that prices could decline below the target price level.

Senator McGOVERN. Well, if they do, our wheat farmers are going to go broke. All of our grain farmers, if the returns to them fall below $1.38 for corn and $2.05 for wheat, are going to go broke, are they not?

Mr. MIDDENTS. That is why we are suggesting that, perhaps, as a temporary measure, the Government should purchase, and we elucidate at length in our submitted statement, the surplus that does develop, as long as it is predictable and limited in quantity, and that the loan level, perhaps, should be raised. Also the spread between the target price and the loan could be narrowed through a modest increase in the loan. It would be in the interest of the consumers and the producers in the long run in the Nation.

Senator McGOVERN. Senator Dole, do you have any questions?

Senator DOLE. No; I have no questions. I noted your reference to grain reserves, which I am not certain I agree with, and also with reference to monitoring.

Secretary Butz indicated yesterday that the present system would probably be scrapped insofar as wheat, soybeans, and soybean meal, is concerned, because it now appears that our stocks are adequate, but they will be retained on corn. He said it could happen in the next couple of weeks.

Mr. MIDDENTS. Right.

Senator DOLE. Do you really believe that the monitoring system implemented last October served a useful purpose other than lowering prices? I do not think that is a useful purpose; do not misunderstand me.

Mr. MIDDENTS. I understand.

I do not have all of the knowledge or facts available to make that judgment, of course. I do think that when we are trading with nations who do not disclose as much information to us as we do to them, that we must have some type of dialog, as I indicated, with those importing nations, and perhaps some guidelines can be established between the United States and those importing nations without imposing export controls.

In my statement, Senator Dole, I do say that I think rigid monitoring is something that we should do away with.

Senator DOLE. Well, it seems to me that when you require prior approval from, virtually, the White House, that you really place an impediment in this marketing system. I do not understand just how it all works.

Mr. MIDDENTS. I agree with you on that.

Senator DOLE. We should know what is available around the world and what is going on, but it seems to me we don't have to have clearance from the White House. Maybe it is only a pro forma prior approval. What would happen if country X would contact Cargill, for example, with reference to a pretty good order of wheat, in excess of—let us see, it is 100,000 tons now? You have to have prior approval. What happens in that case? Maybe it does not happen that way at all.

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Mr. MIDDENTS. Yes; it is very difficult, of course, to conduct business when markets are moving as rapidly as they are and not be certain that you will have approval of such a sale within minutes, let alone hours or days. And so it does impede the possibility of doing export business in a competitive situation from the United States.

Senator DOLE. It seems to me that potential customer might just decide to go somewhere else.

Mr. MIDDENTS. And, of course, a seller, such as us, has to be more cautious in the price at which he trades grain when he has a commitment that he is not certain of for a period of days or weeks.

Senator DOLE. I am not critical of the objective. It seems to me that we just still need to refine the machinery.

Mr. MIDDENTS. Correct.

Senator DOLE. Thank you.

Senator MCGOVERN. Thank you, Mr. Middents, for your testimony.

Mr. MIDDENTS. Thank you, sir.

Senator MCGOVERN. Former Congressman Hagen is here from California.

I understand, Congressman, that you do not have a prepared statement but you would like to make a brief oral statement.

STATEMENT OF HON. HARLAN F. HAGEN, ARLINGTON, VA.

Mr. HAGEN. Honorable Mr. Acting Committee Chairman, the gentleman from South Dakota, and the other honorable Senators here, I believe I served with both of you on the House Agriculture Committee.

I have somewhat been vegetating as far as politics are concerned since I got beat in 1966. However, I read an awful lot, and I have been following your hearings in the newspaper. I just wanted to express a few general observations which do not relate specifically to the rice program but include it.

No. 1, there was a statement in the paper the other day that Secretary Butz advocated the transferring the food stamp program out of the Agriculture Department. I think that is a mistake. The primary, I would say, justification for both the food stamp program and the Public Law 480 programs, shipments overseas, was the reduction of these vast agricultural surpluses in an efficient manner, which were costing the governments huge amounts in storage. They have, of course, a welfare aspect to them, both of them, abroad and at home, and they also serve the purpose of foreign policy most directly, the Public Law 480 program, and I think these considerations should be kept in mind when you consider this question.

These questions, of course, have been with us since the middle and late 1920's when the farm depression started in the Midwest and the South. I think it would be a gross error to transfer the food stamp program to some other branch of Government.

Now, I think that summarizes practically everything I have to say. I believe that still this one purpose of the efficient handling of these food surpluses is the primary motivation of both of those programs, and I disagree strongly with the view that we have some moralistic obligation to feed everybody around the world. I do not think we have. I do not think we could sustain it, and it seems ridiculous to continue to inexhaustably supply food to some of these countries which have

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outrageous birth rates and do nothing about it for religious reasons or other reasons.

Those are the observations, and I echo the sentiments of the Governor of North Dakota about my gratitude for the privilege of being here.

Incidentally, I am from North Dakota, too. I grew up there until the age of 15, and my father was both a banker and a farmer until he went broke in the late 1920's.

Senator McGOVERN. Thank you very much, Congressman Hagen. We did in fact serve together on the House Agriculture Committee, and we are glad to have your testimony.

I think it is clear the United States cannot feed the world. We have led the way in offering assistance, but we certainly cannot do that job alone.

Mr. HAGEN. That is certainly true, and I do not think we can ever, and I think the gross national problem with perhaps the added cost of feeding the world would take away from what our people need more.

Senator DOLE. I have no questions, Harlan, but I just wanted to comment. I think Secretary Butz is realistic. He knows it is not going to be transferred. I am not certain—and again I do not want to be in a position of defending the Secretary.

Mr. HAGEN. I am not criticizing the Secretary. I criticize this proposal.

Senator DOLE. Yes, it is not realistic. On the other hand, I know when I go out to Kansas, and you have been going out to California that a lot of farmers do not understand why people are attacking them for this big agriculture budget when 70 percent of it is food stamps and school lunch, and everyone is pointing their finger at the farmer, saying, he is getting it.

Whatever the budget was last year—what was it, $9 or $10 billion? The rice farmer or the wheat farmer or whoever is getting practically nothing. What he was trying to do is maybe get it in context, but it is not going to happen.

Mr. HAGEN. Well, I think you gentlemen can do a job on educating the public on that. Farming is a hazardous occupation.

Senator DOLE. Like politics.

Mr. HAGEN. Yes, exactly right.

Senator McGOVERN. Thank you very much, Congressman Hagen.

Mr. HAGEN. Thank you gentlemen. You give my greetings to the other members of the Committee.

Senator McGOVERN. Thank you.

Our next witness is Mr. Carter and Mr. Jones, president and chief executive officer and chairman of the board of Riceland Foods.

STATEMENT OF L. C. CARTER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, RICELAND FOODS, STUTTGART, ARK.

Mr. CARTER. Mr. Chairman and members of the committee, I am L. C. Carter, president and chief executive office of Riceland Foods, whose administrative headquarters are located in Stuttgart, Ark.

Accompanying me today is Bill E. Jones of Fisher, Ark. Mr. Jones is a rice farmer and chairman of the board of Riceland Foods.

Riceland Foods is a farmer-owned and controlled cooperative.

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The membership consists of approximately 5,000 rice farmers, whose farming operations are located in Arkansas, Louisiana, Mississippi, Tennessee, and Missouri.

The organization is engaged in the receiving, drying, conditioning, storing, milling, and marketing of rice produced by its members. Annually, Riceland handles 60 percent of the Arkansas rice production, practically all of the Missouri and Tennessee crops, and a substantial portion of the rice produced in Mississippi and northeast Louisiana. The annual volume of the rice handled by Riceland is equal to almost 15 percent of the total U.S. rice production.

Riceland distributed the finished products of its members, in both domestic and export markets. Approximately 60 percent of its total production is moving in the foreign market.

It is in behalf of these 5,000 farmer-members of Riceland Foods that I appear here today. The present legislation has served all segments of the rice industry well for the past two decades. In 1954, it was my privilege to serve on a small drafting committee in developing the present rice legislation. During the last 20 years, we have vigorously and successfully opposed any major efforts to change this legislation.

We feel now, however, that the time has arrived when we must take a fresh, new look at the existing rice legislation. This premise is based on the firm conviction that, so far as agriculture in general and rice farming in particular is concerned, we are in a new era, or as some say, "in a new ball game."

Opportunities for the American rice farmer to play an increasingly important role, in supplying food to all areas of the world, have never been greater. However, he cannot fulfill this role under the restrictions of the present rice program. For these reasons, a new approach, which will permit maximum flexibility in the production and marketing of rice, must be developed.

Very real opportunities exist that will allow expansion of the American rice industry, in both the domestic and export markets. Some of these are: one, continued expansions of the world's population, by some 80 million persons each year.

Two, the increasing affluency of the people in the world. As a matter of policy, many governments have embarked on long-range programs of providing more and better food for their people.

Three, the renewal and normalization of trade with Russia and China and possibly Cuba, in the near future—and incidentally, Cuba was purchasing about 6 million hundredweights of milled rice, from the United States, when trading ceased with that country some 10 or 15 years ago. These new markets will add about two-thirds of the world's population to our potential customers.

Four, the enhanced competitive position of American agricultural products in world markets, due to the devaluation of the U.S. dollar and other economic changes in the world.

Five, the recent enactment of the Trade Act should open new markets for us as negotiations develop as a result of this very important act.

Six, the declining land availability suitable for food production, particularly rice, throughout the world. Only the United States has the immediate capability to efficiently increase rice production.

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Seven, rice is the world's most important food crop. It is the primary food of literally hundreds of millions of the world's people, millions of whom are among the most needy, hungry and deprived.

Eight, the United States produces less than 2 percent of the total world rice supply. It is, however, the largest supplier of international markets. It is also the most dependable supplier due to the advanced technology of the American rice farmer.

Nine, rice is and has been a major factor in the U.S. balance of trade. Its 1974 contribution was about $1 billion, approximately 5 percent of the total U.S. agricultural exports. Additional supplies will provide for even greater participation in foreign trade, and I might say—it has already been pointed out here—that total agricultural exports last year was about $21.3 billion. This year it is estimated to be about $22 billion. Agriculture is contributing about $11 billion to the balance of trade above the imports of agricultural products.

Senator, this is a very significant contribution that agriculture is making to our balance of trade.

Senator DOLE. What percent of that would be rice?

Mr. CARTER. About 5 percent of the total agricultural exports are rice.

Senator DOLE. But I mean, you get into the dollar part, because I understand——

Mr. CARTER. I am not sure, but of course some moves out under Public Law 480.

Senator DOLE. About 60 percent of it.

Mr. CARTER. About half of our exports over a period of years is with Public Law 480 and about half commercial sales. Now really, Public Law 480 under title I is not a complete, total cost to the Government because these are concessional sales under long, easy credit terms, as I understand, none of these countries have defaulted on their payments. All of these countries are current as far as payments on Public Law 480 are concerned.

Senator DOLE. Are most of the shipments of Public Law 480 rice under title II agreements?

Mr. CARTER. As I understand it, we have not had any title II, Public Law 480 business in years, very little ever. Mostly all has been title I.

Senator DOLE. Excuse me, I did not mean to interrupt.

Mr. CARTER. That is all right.

In view of the above opportunities, the board of directors of Riceland Foods will cooperate with other segments of the rice industry, the present administration and Congress in developing new rice legislation. Such legislation should be developed with the following principles in mind: one, embody specific minimums for the protection of all current rice farmers.

Two, maintain the stability of the rice industry.

Three, provide for its orderly expansion.

Mr. Chairman, as you perhaps know, we, Riceland Foods—and I might say the Arkansas rice farmers—supported rice legislation in the House and Senate last year. The proposed legislation was killed in the House, during the last days of the 93d Congress.

If we learned anything in that effort, it was that it is virtually impossible to pass rice legislation when there is a great division and differences of opinion within the industry.

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Senator DOLE. It is even pretty hard when all farmers agree to pass farm legislation any more.

Mr. CARTER. I agree with you, sir.

Senator MCGOVERN. The bill that you favor, Mr. Carter, is that the legislation that Senator McClellan introduced?

Mr. CARTER. Yes; Senator McClellan introduced it in the Senate, and Congressman Alexander in the House. They were companion bills.

Since the first of this year, a number of industry meetings have been held, attempting to arrive at a consensus. A meeting was held in Houston, Tex., on January 21, 1975, consisting of 26 industry producers and production representatives, who hammered out a legislative program that has almost the unanimous support of the rice farmers in the rice-producing States of Arkansas, California, Louisiana, Mississippi, Missouri, Tennessee, and Texas.

Briefly, it is as follows: one, amend the present rice legislation on a permanent basis. Now I would like to comment briefly about that. We know that legislation was being discussed for 2 years and maybe 3 years. Well, in order to expand the rice industry, we must provide additional facilities. Rice is a perishable commodity as it comes from the combine. It has to be dried immediately. It is a commodity that has to be milled before it can be moved into the market, and we do not think 2 years is adequate time to prepare for an expanded industry. In fact, our own organization has just announced plans to build a large rice milling complex on a river location for exports. It will take us 2 years, Senator, to build that facility, so we do not think that we can make much real in-depth planning with a program of short duration.

A. Abandon the parity concept for a cost of production formula to determine the level of price support.

B. Establish the price support, for the 1976 crop, at $8 per hundredweight or 60 percent of parity, whichever is higher, with subsequent levels escalating with the cost of production.

C. Provide a base acreage allotment of 2 million acres, distributed on the same formula as the present allotment.

D. Provide for "open end" production, with no price support or history for production above one's allotment, or for new growers.

E. Provide for doubling the carryover formula, in the present legislation, before marketing quotas would be triggered (this would require a carryover of from approximately 20 to 25 million hundredweights before marketing quotas would be established).

F. In the unlikely event that marketing quotas were triggered, then, only allotment holders would be permitted to grow rice without a penalty. If the carryover was projected at more than double that provided in the present formula, then, the allotments would be reduced to bring production back in line, but not below 1,650,000 acres.

G. Provide for the lease and the sale of allotments, within States.

Mr. Chairman, this industry proposal includes many features of the rice legislation, which received the approval of this committee, during the 93d Congress. It also removes many objections of major segments of the rice industry to the legislation under consideration last year.

For example, it fixes the base allotment at 2 million acres, the support price at approximately $8 per hundredweight, removes parity

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as a basis for determining the support level, provides for "open end" production with safeguards against over production, allows for a reserve of double that specified in the present legislation, and allows for uniform sale and lease of allotments within States.

On the other hand, it avoids direct payments to farmers, removes limitation of payments, and substitutes the cost of production for the parity formula in arriving at subsequent levels of support.

In a recent meeting of the National Rice Advisory Committee, it became evident that certain features of the above industry proposal would encounter opposition from the administration, particularly the suggestion that the amendment be permanent and the triggering feature in the event of overproduction. We are contemplating additional meetings with the officials of the U.S. Department of Agriculture, in the near future, in an attempt to resolve these differences. We hope it is possible for the rice industry to come before this committee, in the near future, with proposed legislation that has the support of the major segments of the industry, including the national farm organizations.

I would like to enter into the record if I may, an article relative to this expansion. I think there are some facts that might be of interest.*

Senator McGOVERN. The article will be included in the record.

Senator DOLE. Was Texas listed in that list of States?

Mr. CARTER. Yes, sir.

Mr. JONES. You misread it. You said Tennessee.

Mr. CARTER. Arkansas, California, Louisiana, Mississippi, Missouri, and Texas, and I emphasize Texas. I am sorry, I meant Texas.

Senator DOLE. Well, it is a big State. I just wondered—they have a lot of rice down there.

Mr. CARTER. Big football teams, too.

Briefly, this consensus—and it is a rather loosely put together set of principles that certainly are subject to change. I would like to mention the main points that we agreed on in that meeting, and as far as I know, the rice industry still supports this position.

Senator DOLE. The Senate bell just rang. I do not know what that means, but I think that means you are about to end.

Mr. CARTER. Yes, I am about to end.

Senator DOLE. And this "coalition" in these States, what percent of the producers, would you say, agree with the position?

Mr. CARTER. I would say almost all—well, there will be other people on here from other States, but in our area I would say almost 100 percent of the producers would support the consensus that we arrived at in the Houston meeting.

Senator DOLE. In the States you named?

Mr. CARTER. Yes; in the States I named. Now, there may be some folks that would not agree, but I would say generally the principles are supported by all of the States.

Senator DOLE. And that would be if you had 100 percent of the producers, that would be almost all of the production.

Mr. JONES. Well, Senator, if you will excuse me, you are not going to get agreement from 100 percent of the producers, but by and large, the big majority of the producers agreed on this consensus that we arrived at in Houston. I think that is the way to sum it up.

Senator DOLE. I agree. You cannot get 100 percent on anything.

* See p. 1244.

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Mr. CARTER. We took this proposal before our board of directors, and they supported it without any opposition, and I understand, though others can speak of their States, that this has been done in other States.

Senator DOLE. I have read the statement, and I do not want to preempt the chairman here, but it seems to me, you are suggesting a different approach, sort of patterned after—you do not say target price, but at least that——

Mr. CARTER. It is a combination of our present legislation and many of the principles that were agreed on in the target price legislation before this committee and the House last year.

Senator DOLE. Now, is your proposal just about what was in the McClellan bill last year, or has it been changed?

Mr. CARTER. Many of the things that were in the McClellan bill are in this consensus. Now, there are some things in this proposal that were not in the McClellan bill, that we think actually strengthened the proposal because it gives us a handle which can be used to protect ourselves against overproduction, and we can overproduce rice in this country under certain conditions.

I would like to say that we did agree in the McClellan—as approved by this committee to 2-million-acre allotment, to $8 per hundredweight target price, to the lease and sale of allotments, to open end production with support of all rice produced in the United States at 60 percent of parity.

Senator DOLE. New growers?

Mr. CARTER. New growers. We have all of that in here, the plan provides for open end production by new growers, as well as old growers who want to exceed their allotment.

Now we have put one other thing in this proposal, and that is a means to trigger marketing quotas when we get too much rice. The Government does not want too much rice, I am sure, because it is expensive, and neither do we in the industry, and so we think some mechanism of bringing production back into control is very important, and I recognize that under the McClellan bill we had that with a set-aside. We have had no experience with set-asides. We are somewhat frightened by it.

Senator DOLE. Do you have a draft of this new proposal?

Mr. CARTER. Not in legislative form, no sir, we do not. We just have the points.

Senator McGOVERN. Were you saying, Mr. Carter, that you substitute the cost of production for the parity formula? Actually, they are not too far apart, are they?

Mr. CARTER. Well, there is a lot of opposition in Congress, and in the administration to the parity concept. They say it is outdated and outmoded, et cetera. We have agreed in this consensus that we would want to start, say, in the neighborhood of $8, which would be about 60 percent of parity, and that we would then move from that to a cost of production formula, which would have to be developed. We did not attempt to develop it, but a formula that would relate to cost of production, and that this would escalate with cost of production in subsequent years.

Senator McGOVERN. I do not think most farmers would quarrel with that. If figuring the cost of production is any simpler than figuring

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parity—I am not sure it is, but assuming it is—I think farmers will be satisfied with assurances that they are going to get protection.

Mr. CARTER. What we attempted to do here is to take things in the McClellan bill that were not controversial and incorporate them in this plan, and also to eliminate things that were controversial—and I would like to mention three.

Limitation of payments—we do not think limitation of payments—we think this is very bad. We do not agree with the principle involved. We do not think you ought to penalize efficiency, and that is what limitation of payment does. It penalizes initiative. In the rice industry we do not like direct payments from the Government. We would rather have a loan, where you make a loan on the commodity, and have the commodity as collateral. We think it is cheaper for the Government than direct payments. Though we do not dislike parity—we like it—but because there is objection to it, we will agree—or we did agree in the Houston meeting to give it up for a cost-of-production formula, which is yet to be developed.

We think we can sit down with the people who draft the legislation and help develop a cost-of-production formula that would be acceptable.

Senator MCGOVERN. I think, just to be realistic, Mr. Carter, if you are looking for changes that are going to reduce the controversy, and therefore make it more acceptable in the Congress, removing that limitation on payments is not going to buy you any votes.

Mr. CARTER. It may not, but I cannot help but say what we think.

Senator MCGOVERN. I understand, but——

Mr. CARTER. If you use a loan approach, though, Senator, then you have no payments. This is the way we would get around it, by using a loan on the commodity. There are no direct payments involved, and if you forfeit the loan, then the Government takes the commodity, and at the levels which we are talking about for support, it would be a bargain for the Government.

Senator MCGOVERN. I am sorry. We are under a time pressure. I have your statement. I know Senator Dole has.

Mr. CARTER. I will be glad to come back on the stand after lunch if you have any more questions, and Mr. Jones might have a statement, just a very brief one.

STATEMENT OF BILL E. JONES, CHAIRMAN OF THE BOARD, RICELAND FOODS, FISHER, ARK.

Mr. JONES. I think that somewhere in here, if I could make one observation, most of us who are involved in this thing are aware that there are basically three propositions floating around. One was proposed last year, the one that is outlined in this proposal, and possibily something that is going to come out of the Department.

Personally, I think that somewhere along the line we are going to reach an accommodation so that we can come back united before this committee to finalize this thing.

Senator MCGOVERN. I hope you can. I know the committee is anxious to come up with a good proposal, and one that we can get through the Congress.

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Mr. CARTER. This is what we are attempting to do, and we have a feeling if we do not, the Congress will do it for us, and we would rather have our input into it.

Senator McGOVERN. Thank you, Mr. Carter.

Mr. JONES. Thank you, Senator.

[The following material was referred to on p. 1241.]

[From the Daily Leader, Stuttgart, Ark., Feb. 14, 1975]

RICELAND FOODS DISCLOSES NEW MILLING COMPLEX PLANS

(By Garner Allen)

Riceland Foods, the flagship of Mid-South agri-industry, has compass and charts in hand for an extended voyage into the troughs and swells of the marketing seas.

Undaunted by the current rough economic tides, and with a history of timely beginnings in the log (combine-drying, 1944; soybean processing, 1958), directors representing the thousands of farmers who make up the huge quad-state cooperative have authorized advanced planning for a major new rice milling complex.

That action was taken at a Feb. 4 board meeting at Stuttgart, President L. C. Carter divulged Thursday, in this formal statement:

"The board of directors of Riceland Foods has authorized and directed a program to proceed immediately to developing preliminary plans and engineering toward the construction of a major new rice milling complex at some location which will serve our current and expanding membership in Arkansas, northeast Louisiana, Mississippi and southeast Missouri."

Pressed in an interview for a hint as to location, Carter said the board's thinking is that the milling complex almost certainly will be on a river-side site, since it is anticipated that most of its production will be going into the export market.

"That is very probable," Carter said.

The Riceland Foods executive emphasized that "no substantial expenditure of money has been authorized at present, but the plans are pointing to quick implementation of this building program when the board and management decide its initiation is timely."

By "timely," Carter apparently was alluding to rice legislation currently under study by the U.S. Department of Agriculture and Congress.

"This complex probably will be built if legislation is developed that will permit the industry to grow," he commented, adding that the facility would include rough rice storage; a "large" mill of unspecified capacity, and clean rice storage designed to handle both bulk and 100 lb. bag shipments.

The plans envision retail packaging lines and parboiling capacity for the facility at a later date, he added.

Carter said that considerable engineering study already has been undertaken, and that the mill, if built, will be "highly automated" and "as efficient or more efficient than any other mill in the country."

The board, in its decision, found that the rice industry in the area where Riceland Foods is operating "is rapidly approaching the point where the rice production could exceed the present milling capacity."

As evidence, Carter said Riceland has been operating its four mills and parboiling plant twenty-four hours daily, seven days weekly since the beginning of the 1974 harvest.

In addition, the January shipments of Riceland Foods reached an all-time peak for the firm of 1,360,000 cwt.

"It is not possible to continue to operate at this pace of fulltime production without making provision for normal maintenance," he pointed out.

STORAGE APPROVED

Already authorized in advance of any start on the milling complex, are a number of inland storage expansions this year at Riceland Foods' drier divisions.

Among them will be a 585,000 bu. addition to the Stuttgart Grain Drier on North Park Ave., of concrete slip-form construction style.

Other concrete elevator additions will include: Tuckerman, 320,000 bu.; Jonesboro, 585,000 bu.; Hazen, 520,000 bu.

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In addition, metal bin storage expansions are set for Hickory Ridge, 500,000 bu.; Des Arc, 200,000 bu.; Fair Oaks, 300,000 bu.; Marianna, 60,000 and possible additional storage at other locations.

In view of the drier expansion program, Carter was asked if he foresaw a greatly increased rice harvest this year. The veteran miller said he did not foresee a great increase, but at this point in time, it is too early to make an estimate.

However, he added, the very fact that allotments have been cut may have a boomerang effect in which growers who might have planted within their allotment may decide to "go substantially above their allotment" which their production and harvesting ability permits.

MARKETS TO GROW

On the sales side, Carter asserted that "It's our considered opinion that dollar markets are developing in the world along with continuation of the government concessional markets such as those provided under P.L. 480."

"These new and growing markets will justify expansion of the rice milling industry in the area which we have discussed and which I like to call the 'future Rice bowl of America,'" Carter said.

"We have the land, the water, the climate, the transportation, and most important of all, the farmers with the know-how."

He cited as examples of rice marketing opportunity the nations of Iran, Saudi Arabia, Iraq and Kuwait in the oil-rich Mid-East; Indonesia and Maylasia in the south Pacific, and South Korea and Japan in eastern Asia, along with our traditional dollar markets in Western Europe and many African countries.

Carter noted sales, from the current crop of approximately 500,000 tons of No. 2 long grain rice to Iran as typical of the market challenge offered by developing nations which have money, a history of heavy rice consumption and expanding populations.

South Korea has purchased 210,000 tons of rice within the past thirty days, and the rice miller foresees a "gradual shift" of that nation from concessional to dollar market status.

Other opportunities for rice export market development lie in Western Europe, South America and Africa, where the Republic of South Africa traditionally buys about 95 per cent of its rice from the U.S., Carter said.

Looking still further to the future, Carter observed, "We've got Russia and Cuba." The latter Caribbean country before Castro's day annually purchased some six million hundredweights of southern rice and in return was a major supplier of cane sugar to the U.S.

Of industrialized nations, Carter sees Japan with its dense population and small tillable land area as another potential market. Now barely self-sufficient in rice, and already one of the heaviest U.S. agricultural importers, Japan "is approaching the time when it will become a dollar market for rice," Carter predicted.

In general, he believes the new trade bill passed by Congress "will be good for agriculture."

Senator McGovern. I think, Mr. Simon, we can work you in before lunch, if you can testify now. I will say for the other witnesses we are going to have to break after we hear Mr. Simon, and we will be back at 1:30 with Senator Leahy presiding.

Mr. Simon. Thank you, Mr. Chairman.

In the interest of time, I will extract from my prepared statement, but I would appreciate it if the full statement could be included in the record.

Senator McGovern. The full statement will be printed in the record.

STATEMENT OF MARTIN S. SIMON, SENIOR VICE PRESIDENT, CONNELL RICE & SUGAR CO., INC., WESTFIELD, N.J.

Mr. Simon. My name is Martin Simon. I am senior vice president of Connell Rice & Sugar Co., Inc. I am also Chairman of the Ad Hoc Committee of Rice Users. The ad hoc committee is composed of industrial users, exporters, and domestic consumers.

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This statement is on behalf of the ad hoc committee. For the past 18 months or so, members of the ad hoc committee have supported a target price program for rice. We were gratified when S. 4121, the Rice Act of 1974, which incorporated the target price concept for rice, met with your unanimous approval.

The Rice Act of 1974 was deemed a controversial matter. What really was at issue? I think we can sum it up basically as a difference of opinion over protection, the amount the farmer needs, the method by which it is provided, and its consequences to the industry and to the Nation. After all, when we consider a rice program for farmers, we are talking essentially about protection. We are talking about protecting the farmer from some of the risks of the marketplace. At the one extreme is the protection provided the farmer under the present program. At the other extreme is no program and no protection, a totally free situation.

Somewhere between these two extremes is a target price program for rice as was embodied in the Rice Act of 1974.

The present program is a product of the 1930's, a period of concern over surpluses and depressed prices, and uses monopolistic concepts to protect the rice producer. Its major objective is to secure for participants a higher price for their product than they would have secured under free market conditions.

Under the present program, at the legal minimum acreage of 1.65 million acres, more than twice as much rice is produced as is needed to meet domestic requirements. The balance is available for export or for carryover. During the marketing years 1953–72, domestic support prices were higher than world prices some part of each of these years except perhaps during the 1967–68 season. In other words, prices to farmers for rice were being protected at levels that limited or prevented sales for export from being made.

There are several solutions to such problems of oversupply. One is to increase demand by permitting prices to decline to world levels, but this was prevented by the support price. Another is to reduce production to the point where supply equals demand at the support price, but this was hindered by the acreage minimum in the law.

Both of these solutions require a change in legislation. It was opted instead to develop export programs, most importantly, the Public Law 480 program and the export subsidy program, and solve the problem of oversupply by exporting the surplus.

The export programs did their work exceedingly well, and in effect, saved the present rice program from being drowned in surplus rice. Needless to say, these programs bore a high price tag. Furthermore, export subsidies discriminate against domestic consumers by causing them to pay a higher price for American rice than foreign consumers pay. However, the export subsidy program also served to show us the strong and growing export demand for American rice if it is priced competitively.

During the period 1959–68, when American rice was competitive, either through full subsidization or because world prices had risen above U.S. support prices, dollar exports of American rice rose steadily from 330,000 metric tons in 1959–60 to 1.1 million metric tons in 1967–68.

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During the period 1968–72, when U.S. rice was not fully competitive, due to budgetary limitations on subsidy expenditures, foreign buyers turned elsewhere, and dollar exports declined sharply to 500,000 metric tons. Since December 1972, world prices have been higher than U.S. loan rates. American rice has been competitive, and dollar exports will reach record levels this season and contribute significantly to our balance of payments.

In recent months, however, world rice prices have turned down ward while the U.S. loan rate, based as it is on the inflationary and outdated parity formula, is rising sharply. What will happen this time if world prices decline below the escalating U.S. loan rate? Consumer groups have testified to their opposition to export subsidies as being both discriminatory and an unfair added burden on taxpayers. We believe export subsidies for agricultural commodities such as rice will not be reinstated and that the present program needs to be changed so that subsidies will never again be required. Also, the economic conditions which led to adoption of the present program in the first place no longer exist. The demand outlook for rice is excellent, and the ultra-protectionism of the present program not only is now not necessary but also is obstructing the ability of American rice to participate in that strong outlook.

We have seen how dollar exports rise and fall depending principally on whether or not the support price has placed American rice in a noncompetitive position and whether export subsidies are or are not available.

Is it not now time to change the present program, so as to enable development of a viable rice industry on the basis of free market and competitive considerations?

In the course of earlier debate over the target price program for rice, some of the present producers made the point that they would prefer no program to the target price program. One explanation offered for this position was that they felt it gave them more of a competitive advantage over new producers than they would have under the target price program. This of course would be the ultimate in reduction of protection to producers.

Senator McGOVERN. When you talk about their fear of new producers, you mean new domestic producers?

Mr. SIMON. Yes, sir.

We believe a case can be made for continuing a program of protection for rice producers, and we support such a program along the lines of the target price program, but if we were asked to choose, we would prefer no program to continuation of the present program.

We viewed the target price program for rice as contained in the Rice Act of 1974 as middle ground, a compromise, a reasonable compromise, a program designed to continue protection to producers but one that changed the level and method of protection so as to eliminate, or reduce the likelihood of recurrence of, the marketing and competitive problems we have had in the past and are trying to avoid in the future.

This would have been accomplished by reduction in the support price for American rice for the 1975 crop to $4.20 or $4.80 per hundredweight, depending on the particular bill, compared with an expected $8.50 per hundredweight under the present program. In effect, the

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Rice Act of 1974 would have guaranteed domestic consumers that they would not be required to pay more for rice than any world consumer.

Furthermore, continued substantial growth in dollar exports would be virtually assured, benefiting the U.S. balance-of-payment position and increasing domestic employment opportunities. Under the Rice Act, more rice would be available for food aid.

In conclusion, it seems to us that consideration of a change in the rice program involves primarily three questions. First, there is the question of open production. We believe that any grower in the United States who wants to should be free to grow rice. There is an opportunity for growth that cannot be exploited under a program that is restrictive in philosophy. An open program is needed if the investment in plant and equipment required to take advantage of that growth opportunity is to be generated.

Second, there is the question of who should receive price protection and the method of protection. Under the present program, only present growers are protected at a support price calculated at 65 percent of parity. Under the Rice Act of 1974, all producers were to receive price protection albeit at a lower level, but present producers were afforded the additional protection provided by the target price mechanism. We believe all growers should receive some price protection, but in this connection, regard the question of level of protection, our third question, as a particularly crucial one.

Under the present program, price protection was established at a level that frequently resulted in domestic prices well over world prices. This led to noncompetitive surpluses, export subsidies as one solution, loss of markets, and other problems. The Rice Act of 1974 would have set the support price level at 60 percent of the target price. This would have been $4.20 under the original bill introduced by Congressman Alexander, and $4.80 under the bill introduced by Senator McClellan.

We believe the level of price protection provided by the support price mechanism should be determined with care and primarily with market considerations in mind. It should not be set so high that it threatens to place American rice in a noncompetitive position and thwarts growth opportunities. It should not be set so high that it becomes a source of pricing discriminatory to the American consumer and taxpayer. It should not be set so high that it acts to encourage production for the Government instead of for the market.

It should only serve to assist producers in financing the production and marketing of their crops and to provide them with protection against an unexpectedly drastic decline in world prices.

In the final analysis, the best protection for rice producers would be furnished by a competitive and expanding rice industry. We can compete. We can grow. We can prosper. We need a rice program that gives us room to breathe.

Thank you, sir.

Senator McGOVERN. Thank you, Mr. Simon.

Is it true that the basic fear about the kind of expanded program that you are suggesting here comes from producers who are presently engaged in the production of rice who fear new competition?

Mr. SIMON. I believe that is true.

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Senator McGovern. From domestic sources. They are not worried about the world competition so much as they are new rice growers coming into the program?

Mr. Simon. That seems to be the case.

Senator McGovern. Why is that not a legitimate fear on their part?

Mr. Simon. Well, of course, I am not a producer, and I really cannot answer that for them, and the proposed program was designed to give them additional protection, whereas all producers would have received the loan rate at a low level, all producers would have received some protection.

Senator McGovern. Your answer is that the kind of program that you are proposing would protect the existing producer as well as allow for some new producers to come into operation with reasonable protection for everybody?

Mr. Simon. That is correct. Moreover, we view the demand outlook for rice as excellent, and we think that that in itself is going to protect all producers.

Senator McGovern. You supported the so-called McClellan legislation that was pending last year?

Mr. Simon. Yes, we did.

Senator McGovern. Senator Dole, do you have a question?

Senator Dole. No, only a comment. What you say raises three questions, and the first one probably is going to be the important one—that is whether it ought to be an open program.

We talk about open government and open everything else, and we had some comments on the subject yesterday by some peanut people. They do not want to open up their program. They want total Government protection.

I assume that a lot of people in my State do not want anybody else to raise wheat, but they seem to do it everywhere. I do not know whether Kansans can raise rice or not. Would you agree with the last witness that there is substantial support for this approach?

Mr. Simon. For the target price approach, I think there is substantial support for the approach, except from present producers. I think the new producers support a concept along these lines, and I know the industrial users, the exporters, and the domestic consumers do.

Senator Dole. Well, let us see now—if there is substantial support except for present producers, that would not be any support at all.

Mr. Simon. Well, that would not be any support from the present producers, but there still is substantial support for changing the program from other areas of interest. We think that—we are in the rice business ourselves, and we have a stake in it, and we think we are part of it, and should have some opportunity to express an opinion and some say in the development of programs that affect us.

Senator Dole. Well, I mean even among producer groups, there must be some support.

Mr. Simon. I believe there is some support among present producer groups. We have heard from some farmers who are presently growing rice that they too would support a target price program. I do not believe it is unanimous either for or against.

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Senator DOLE. I was just looking at the political realities of it. There are more patients than doctors, so we have medicare. There are more rice producers than there are rice companies, so we take a look at the rice producer program. That is all I have.

Senator MCGOVERN. Thank you very much, Mr. Simon. We appreciate your testimony.

[The prepared statement of Mr. Simon follows:]

STATEMENT OF MARTIN S. SIMON, SENIOR VICE PRESIDENT, CONNELL RICE & SUGAR CO., INC., WESTFIELD, N.J.

Mr. Chairman and members of the committee, my name is Martin S. Simon. I am Senior Vice President of Connell Rice & Sugar Co., Inc. I am also Chairman of the Ad Hoc Committee of Rice Users. The Ad Hoc Committee is composed of industrial users, exporters, and domestic consumers.

For the past eighteen months or so, members of the Ad Hoc Committee of Rice Users have supported a target price program for rice. We supported this concept for rice because we believed that it served the best long-run interest of both producer and user of rice and also furthered the national interest. We urged passage of a target price program for rice because we believed that the present program, developed in the 1930's to meet problems of overproduction, was out of step with conditions of the 1970's and needs of the future. We were gratified when S. 4121, the Rice Act of 1974, met with your unanimous approval.

The Rice Act of 1974 was deemed a controversial matter. What really was at issue? I think we can sum it up basically as a difference of opinion over the amount of protection the rice farmer needs, the method by which this protection is provided, and the consequences of this protection to the industry and the nation. After all, when we consider a rice program for farmers, we are talking essentially about protection. We are talking about protecting the farmer from risks of the marketplace. At the one extreme is the protection provided the farmer under the present program. At the other extreme is no program and no protection. Somewhere between these two extremes is a target price program for rice as embodied in the Rice Act of 1974.

The present program is a product of the 1930's—a period of concern over surpluses and depressed prices—and uses monopolistic concepts to protect the rice producer. First, it controls production by restricting or alloting the number of acres that can be grown to rice and by barring growers without acreage allotments from entering the industry. Second, it establishes a minimum market price (i.e., support price) for rice and guarantees rice producers a market (i.e., Commodity Credit Corporation) at that price. As at present, when marketing quotas have been removed and open production is permitted, protection continues to be available to the present producer, but is denied the new producer. Third, the present rice program is structured to produce more rice than ordinarily can be sold, other than to the government, at the minimum market price, and in this sense rewards overproduction. The major objective of the program is to secure for participants a higher price for their product than they would have secured under free market conditions.

Under the present program, at the legal minimum acreage of 1.65 million acres, more than twice as much rice is produced than is needed to meet domestic requirements. The balance is available for export or for carryover. During the marketing years 1953–1972, domestic support prices were higher than world prices some part of each of these years except perhaps during the 1967 season. In other words, prices to farmers for rice were being protected at levels that limited or prevented sales for export from being made. Initially, this resulted in a substantial buildup of stocks. By August 1, 1955, carryover stocks totalled almost 35 million cwt., equal to 70 percent of that year's production and 130 percent of domestic requirements.

There are several solutions to problems of oversupply. One is to increase demand by permitting prices to decline to world levels, but this was prevented by the support price. Another is to reduce production to the point where supply equals demand at the support price, but this was hindered by the acreage minimum in the law. Both of these solutions require a change in legislation and would result in a reduction of protection to the farmer. It was opted instead to develop export programs—most importantly, the PL–480 program and the export subsidy

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program—and solve the problem of oversupply by exporting the surplus. The export programs did their work exceedingly well and in effect, saved the present rice program from being drowned in surplus rice. Needless to say, these programs bore a high price tag. For example, export subsidy payments for the 1959–73 fiscal years totalled $313,633,000.00. Furthermore, export subsidies discriminate against domestic consumers by causing them to pay a higher price for American rice than foreign consumers pay. However, they also served to demonstrate the strong and growing export demand for American rice *if it is priced competitively.* During the period 1959–1968, when American rice was competitive, either through full subsidization or because world prices had risen above U.S. support prices, dollar exports rose steadily from 330,000 metric tons in 1959–60 to 1,100,000 metric tons in 1967–68, reflecting an average rate of growth of about 100,000 metric tons per year. During the period 1968–72, when U.S. rice was not fully competitive due to budgetary limitations on subsidy expenditures, foreign buyers turned elsewhere and dollar exports declined sharply to 500,000 metric tons. Since December 1972, world prices have been higher than U.S. support prices, American rice has been competitive, and dollar exports will reach record levels this season and contribute positively and significantly to our balance of payments.

In recent months, however, world rice prices have turned downward, while the U.S. support price, based as it is on the inflationary and outdated parity formula, is rising sharply. What will happen this time if world prices decline below the escalating U.S. support price? This is by no means an improbable event. Export subsidies were required to improve the competitive position of American rice during a period when domestic support prices averaged about $4.60 per cwt. and now, in the near future, we will be facing support prices well over $8.00 per cwt. and heading higher. If this structural defect of the present program again places American rice in a noncompetitive position, will export subsidies be reestablished to save the patient? If they are not, dollar exports will decline, surpluses will accumulate, and production will ultimately be curtailed, although it is still likely to be excessive, bearing in mind that, at the legal minimum acreage, twice as much rice is produced as is required domestically. Also, the price difference between American rice and world rice, as it has before, may lead to imports at a time of domestic surpluses, will falsely encourage expansion of competitive production abroad, and will result in loss of jobs for American labor. These are consequences of protecting the price of American rice at a level that ignores market and competitive considerations.

Consumer groups have testified to their opposition to export subsidies as being both discriminatory and an unfair added burden on taxpayers. Given this and the recent furor over the Russian wheat subsidies, we believe the medicine of export subsidies is no longer available to the patient and corrective surgery is now required. Furthermore, the world has changed since the present rice program was originally developed and the economic conditions which led to its adoption no longer exist. The demand outlook for rice is excellent and the ultra-protectionism of the present program not only is now not necessary but also is obstructing the ability of American rice to participate in that strong outlook. The production restriction provision of the present program discriminate against new growers, deny opportunities for economies of scale and shifts of acreage to more efficient producing areas, and discourage investments in plant and equipment vital to expansion of the industry on a rational basis. We have seen how dollar exports rise or fall depending principally on whether or not the support price has placed American rice in a noncompetitive position and whether export subsidies are or are not available. Is it not now time to reduce the level and method of protection so as to enable development of a viable rice industry on the basis of free market and competitive considerations?

In the course of earlier debate over the merits of the target price program for rice, some of the present producers made the point that they would prefer no program to the target price program. One explanation offered for this position was that they felt it gave them more of a competitive advantage over new producers than they would have under the target price program. This of course would be the ultimate in reduction of protection to producers. We believe a case can be made for continuing a program of protection to rice producers such as is contained in the target price program but, if asked to choose, we would prefer no program to continuation of the present program.

We viewed the target price program for rice as contained in the Rice Act of 1974 as middle ground—a compromise between the extremes represented by the present program on the one hand and no program on the other hand—a program

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designed to continue protection to producers but to change the level and method of protection so as to eliminate the marketing and competitive problems that we have had in the past and are trying to avoid in the future. This would have been accomplished by a reduction in the support price for American rice for the 1975 crop to $4.20 or $4,80 per cwt. compared with an expected $8.50 per cwt. under the present program. In effect, the Rice Act of 1974 would have guaranteed domestic consumers that they would not be required to pay more for rice than would any world consumer. Furthermore, continued substantial growth in dollar exports would be virtually assured, benefiting the U.S. balance of payments position and increasing domestic employment opportunities. Under the Rice Act, more rice would be available for food aid at less cost.

We also would not be faced with the prospect of erosion in domestic markets due to competitive problems. In addition, the Rice Act extended a low level or moderate level of protection to all producers of rice and to acreage planted in excess of the 2-million acre base. In this manner, the target price program under the Rice Act of 1974 was far less discriminatory to new producers than is the case under the present program. However, in the interest of continuity and stability of production, the Rice Act offered present producers additional protection in the form of the target price. The open production feature of the Rice Act would encourage an increase in investment in plant and equipment which is needed if there is to be a significant expansion in rice acreage in the United States in the future. The Rice Act would enable significant improvements in productivity and is counter-inflationary.

In conclusion, it seems to us that consideration of a change in the rice program involves primarily three questions. First, there is the question of open production, We believe that any grower in the United States who wants to should be free to grow rice. There is an opportunity for growth that cannot be exploited under a program that is restrictive in philosophy. An open program is needed if the investment in plant and equipment required to take advantage of that growth opportunity is to be generated.

Second, there is the question of who should receive price protection and the method of protection. Under the present program, only present growers are protected at a support price calculated at 65 percent of parity. Under the Rice Act of 1974, all producers were to receive price protection, albeit at a lower level, but present producers were afforded the additional protection provided by the target price mechanism. We believe all growers should receive some price protection, but in this connection, regard the question of level of protection, our third question, as a particularly crucial one.

Under the present program, price protection was established at a level that frequently resulted in domestic prices well over world prices. This led to noncompetitive surpluses, export subsidies as one solution, loss of markets, and other problems. The Rice Act of 1974 would have set the support price level at 60 percent of the target price. Under the bill initially introduced by Congressman Alexander, the support price for the 1975 crop would have been $4.20 per cwt.; under S. 4121, it would have been $4.80 per cwt. We believe the level of price protection provided by the support price mechanism should be determined with care and primarily with market considerations in mind. It should not be set so high that it threatens to place American rice in a noncompetitive position and thwart growth opportunities as it has in the past. It should not be set so high that it becomes a source of pricing discriminatory to the American consumer and taxpayer as it has in the past. It should not be set so high that it acts to encourage production for Government storage bins instead of for the market as it has in the past. It should only serve to assist producers in financing the production and marketing of their crops and to provide them with protection against an unexpectedly drastic decline in world prices.

In the final analysis, the best protection for rice producers would be furnished by a competitive and expanding rice industry. We can compete. We can grow. We can prosper. We need a rice program that gives us room to breathe.

Thank you.

Senator McGovern. The committee will recess then until 1:30.

[Whereupon, at 1:18 p.m., the committee was recessed, to reconvene at 1:30 p.m. the same day.]

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AFTERNOON SESSION

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator LEAHY [presiding]. If we could call the meeting to order; for those of you who have been coming here for a lot of years, in getting to know all of the members of the Senate Agriculture Committee, I would mention that I am the newest face here, which shows you how they work down the seniority list in a hurry.

I am Patrick Leahy and I am the junior Senator from Vermont, and I am happy to see you here. You are Mr. Guthrie?

Mr. GUTHRIE. Right.

Mr. CHALKLEY. And I am Mr. Chalkley.

Senator LEAHY. Mr. Guthrie is the president of the American Rice Growers Cooperative Association and Mr. Chalkley is the vice president of the American Rice Growers Cooperative. And Mr. Guthrie, you are from Texas, and Mr. Chalkley, you are from Louisiana?

Mr. CHALKLEY. That is correct.

STATEMENT OF F. E. GUTHRIE, PRESIDENT, AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION, DAYTON, TEX.

Mr. GUTHRIE. Before we start, Senator, we are going to be talking about rough rice as it leaves the farmer's hand, and here is a sample. I am sure not many of you have seen it.

It was brought out in evidence this morning for this product this year, the parity index as of January 15 indicates farmers getting an average of 10 cents a pound for this product. Here is a pound of the product as it comes from the grocery store with a price on it that I bought yesterday that shows 63 cents for a pound.

Now admittedly, this is a very top quality with a little different processing but I want to bring out that the farmer is not the villian in these high prices that people pay in the grocery store.

Senator LEAHY. I appreciate that. We do not see much rice growing in Vermont.

Mr. GUTHRIE. Mr. Chairman, members of the committee, my name is F. E. Gene Guthrie. I live in Dayton, Tex., about 40 miles east and north of Houston, Tex., where I farm about 500 acres of rice and 800 acres of soybeans in a partnership with the rest of my family.

I am the president of American Rice Growers Cooperative Association, a more than 50-year-old cooperative marketing association of some 2,500 rice producers in Texas and Louisiana.

It was my pleasure to appear before this committee on December 3, 1974, and testify regarding S. 4121.

We appreciate the opportunity to again express our opinions concerning rice legislation.

Mr. Edwin Krielow, president of the National Rice Growers Association, headquartered in Louisiana, has requested that this statement also be presented on their behalf as he is unable to appear before you today.

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As all of you are aware, the target price legislation embodied in S. 4121 and its companion bill, H.R. 15236, failed of enactment during the last session of Congress.

We understand this type of legislation has again been introduced but we are hopeful that the record of deficiencies and weaknesses of the type of program proposed for rice last year, as established in four separate hearings in last year's congressional session, is sufficient and that this Congress has, in its wisdom, finally disposed of these proposals.

Now I want to point out why rice may be slightly different from other commodities.

For those not familiar with rice as a commodity I would point out these several characteristics——

Senator LEAHY. Excuse me, Mr. Guthrie. I welcome Senator Dole from Kansas, the ranking minority member of the committee——

Senator DOLE. I am a little bit late. I had to give a little speech.

Mr. GUTHRIE. For those not familiar with rice as a commodity, I would point out these several characteristics which cause it to differ markedly from other field crops:

It is one of the most expensive field crops produced in the United States.

As it comes from the field, it is highly perishable and must start a 5- to 10-day artificial drying process within 24 hours of harvest.

A farmer sells rice on a lot basis by a physical sample representing that lot.

There is no general market quotation, either spot or futures, for rice and a rice farmer does not know what one of his lots of rice is worth until buyers have physically examined it and made some kind of an offer, or until final settlement is made if he belongs to a marketing cooperative in which he participates.

The United States, with about 1 percent of the world's acreage and 2 percent of its production accounts for about 25 percent of the international trade in rice with two-thirds of U.S. production going to the export markets.

Substantially, all of the world trade in rice is Government controlled, including the one-third of the U.S. crop that our Government has insisted be produced the past 12 years for Public Law 480 sales and AID commitments.

Deliveries to Government commodity credit stocks have been nominal during the past 10 years.

We believe that there are three major requirements that should be embodied in any new legislation for rice.

Protection to old producers. Heretofore, this has been accomplished by acreage allotments based on history of production of rice.

When the acreage allotment—marketing quota program became effective in 1955, U.S. rice producers had, for all practical purposes, one export market, Cuba, and domestic consumption was under 4 pounds per person. For 20 years the U.S. rice industry has put up its own money, with by far the major part coming from producers, and worked with our Government to promote domestic consumption and develop export markets for rice. Today we export to well over 100 countries in the world and domestic consumption has doubled to more than 8 pounds per person. And I might add that this fee that we pay to our advertising marketing association is a voluntary fee.

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We cannot believe it is fair or equitable to throw these hard won and costly markets open to anyone who thinks he wants to grow rice to the detriment of producers who developed the markets, so long as these producers can supply market demands.

There is no question that the U.S. rice industry can produce itself into catastrophic surplus in any one year in the absence of some device to control production when surpluses become too large. Heretofore, this device has been marketing quota penalties equal to the support price.

Other methods can be used such as a triggering of marketing quotas at certain surplus levels, adjustment of loan or support price levels or other techniques.

Regardless of the method, the rice producer is not in the position of the automobile producer where he can lock the door and tell the worker to live off of Government unemployment checks while we adjust inventory. Nor do we see Government agencies increasing rates of returns to farmers by higher prices or reduced competition as we see in airline, railroad, trucking, communications, electric power, and oil industries in order to guarantee a healthy industry with adequate returns.

Originally, the concept of price supports for agricultural products was to aid in orderly marketing.

We still need this. We recognize also that our Government wants, needs, and indeed, has forced farmers to produce rice to meet this Nation's overseas requirements of its allies and friendly nations.

Additionally, if we are to have reasonably cheap food prices in this country, it will be by virtue of adequate production and I believe that if we are going to get that kind of production, the farmer must have some assurance that he will at least get back his cost of production.

THE FUTURE FOR AGRICULTURE

Much is being made of the fact by some prominent Government agricultural spokesmen that we have an urban-oriented Congress and that we can practically cause a dismantling of our longstanding system of an agricultural production partnership with Government which has provided us the lowest cost food in the world for many years.

I believe that even our city friends in the Congress can readily understand that if food prices are to remain reasonably low, production must be completely adequate. If production is to be adequate, meaning, leaning to the surplus side, farmers must have some assurance that they will at least get back their out-of-pocket cost of production every year and total costs of production most years.

If this does not happen, then we will see a strong rush to corporate farm ownership and concentrations of control that can and will control prices to the detriment of consumers—just as other concentrations of economic power are controlling prices and production to the detriment of consumers.

There are reasons that reasonable control of production and some assurance of cost returns are essential.

We recognize that it is inevitable that rice legislation as we have known it for many years is going to be changed.

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Let me assure you in all sincerity that the producer segment of the industry is working hard to develop a changed and modified program of rice legislation that will best serve both consumer and producer.

There have already been several nationwide meetings of producer representatives this year in private sessions, in sessions with Members of Congress, and in sessions with USDA personnel, and these are continuing.

We wholeheartedly support, in concept, a program developed in Houston, Tex., by these producer representatives which the Secretary of Agriculture refers to as the "Houston Plan." These representatives and their organizations are now in the process of refining their proposal for subsequent introduction in the Congress. And this is the same program that Mr. Carter spoke of.

We recognize that we have some unusual entities spending substantial sums of money and with highly paid personnel spending their full time here in Washington trying to influence rice legislation. I would be sure that every member of this committee has heard from a major food conglomerate, a major exporter, and a major beer manufacturer with recommendations for rice legislation. I feel sure, too, that each of you recognize the narrow, self-seeking interests that these recommendations serve and will treat them accordingly.

We would be very pleased if we can be successful in coming before this committee in the near future with rice legislation that the entire producer segment of the industry and the Department of Agriculture can recommend and support and the Congress will find to its liking.

Gentlemen, we thank you.

Senator LEAHY. Thank you. Does your organization have a position on a target price for rice?

Mr. GUTHRIE. We were very active against the proposal of target pricing in the last Congress as presented.

Senator LEAHY. So you are against any kind of target price?

Mr. GUTHRIE. I would say not against anything. I think the proposal, as Mr. Carter set out this morning, has some features of the target price concept in it, open-end production, et cetera.

Senator LEAHY. I was looking, for example, at the joint statement he and Mr. Jones made this morning. I got the impression that he had suggested that your organization was generally opposed, at least to the way it was presented in the last Congress.

Mr. GUTHRIE. That is right.

Senator LEAHY. Senator Dole.

Senator DOLE. Well, I think you are trying to work out some compromise legislation now. That is your position now, is it not?

Mr. GUTHRIE. Yes, sir, that is correct.

Senator DOLE. So you are not set in concrete on anything.

Mr. GUTHRIE. That is correct.

Senator DOLE. And the so-called Houston plan would embrace at least some of that target price concept.

Mr. GUTHRIE. It does, yes, sir.

Senator DOLE. What I am suggesting is that it may be possible to have some proposal that a great majority would agree on—and it would have a number of provisions. Some are in the McClellan bill last year, some developed with the Houston plan, something to protect old producers and to encourage new producers.

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Mr. GUTHRIE. Yes, sir, we feel we can work this out.

Senator DOLE. So you have an open mind.

Mr. GUTHRIE. Yes, sir, very definitely.

Mr. CHALKLEY. Senator, I would like to also add to what Mr. Guthrie said about the industry trying to promote its own markets. You might be interested to know that this year that the rice industry, which is basically a producer organization which is known as the Rice Council for Market Development, has a budget of around $2 million and which we are using to promote rice not only in the United States but also in foreign markets because when we started this out we had no other foreign market, as Mr. Guthrie has indicated, except Cuba. And of course we lost that immediately, so to speak. Today we are shipping rice to 104 countries and where we had a very small amount of it per dollar exports, today better than 30 percent of our production is for dollar exports. It has nothing to do with Public Law 480 or it has nothing to do with the domestic market.

As I understand, we may start a markup of the farm bill in this committee by mid-March.

Senator DOLE. The only other question I would have is, will you have your agreement by then?

Mr. GUTHRIE. Hopefully, we will have it by then, yes, sir.

Senator DOLE. Thank you.

Mr. GUTHRIE. I will give the exhibit here to the young lady. She might enjoy some rice.

Senator LEAHY. Sir, do you wish to testify also?

STATEMENT OF HARRY G. CHALKLEY, VICE PRESIDENT, AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION, LAKE CHARLES, LA.

Mr. CHALKLEY. Well, we are both from the same organization. For the record my name is Harry Chalkley, and I am a rice producer from Louisiana, and I happen to have been producing rice an awful long time.

Senator LEAHY. There was one question I would like to ask, if I could just take one moment of your time.

You speak of the $2 million. Is that used primarily in advertising efforts, in research, in lobbying? How is it——

Mr. CHALKLEY. The money, none of it is used in lobbying. Let me start at the bottom.

Senator LEAHY. Sure.

Mr. CHALKLEY. It is used for advertisements. It is used in connection with what we call market development in which we send around home demonstration people to put on actual demonstrations on how to cook rice, to furnish the recipes. And in other words, we meet with the schools, with the other groups where they have these cooking schools in some of these cities. We have somebody there to present rice as rice, as a food. But none of it is used for lobbying, I can assure you of that.

Senator LEAHY. Thank you.

Senator, do you have any questions?

Senator DOLE. No; that is fine. They still use rice for weddings, do they not?

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Mr. CHALKLEY. Sure. Now we have it so they can color it. If they do not like the color of white rice, they can color it pink or blue or whatever they want.

Senator LEAHY. Our next witness is Mr. Ralph Newman, general manager of American Rice from Houston, Tex.

Is that correct.

Mr. NEWMAN. Yes; that is correct.

Senator LEAHY. OK. I am going to have to ask the witnesses to keep as close to the 10-minute limit as possible. Obviously, we are not going to cut you off in the middle of a word or a sentence.

Senator DOLE. Do you support the Houston plan?

Mr. NEWMAN. Very much.

Senator DOLE. The reason I am asking is this morning the testimony was pretty much the same. Rather than to give us another dose of the same medicine, it might be helpful if you could just sort of summarize maybe some point that has not been made by Mr. Guthrie or a previous witness and then make your full statement a part of the record.

It might be more helpful as we get into writing the legislation, to speak to some point you want to emphasize.

STATEMENT OF RALPH NEWMAN, GENERAL MANAGER, AMERICAN RICE, INC., HOUSTON, TEX.

Mr. NEWMAN. Senator Dole, I would like very much to have my statement entered into the record.

Senator LEAHY. We will enter all statements into the record.

Senator DOLE. If there are things that have not been brought up.

Mr. NEWMAN. Yes; there are some things I would like to bring up that I think are different. We represent a great number of rice farmers. We are involved in the actual marketing of their rice from the country elevator all the way through milling and exporting.

Our cooperative handles about 10 percent of the U.S. rice production. The thing I really would like to address myself to is some perspective on all of this rice problem.

I think that what has happened is we have had a very unusual set of circumstances in the rice business recently as well as in all agriculture. We've had a literal explosion in prices. This was brought about by many, many factors of which this committee is certainly aware. We do not know all of the answers, even today, as to why all of these things happened. As with most cyclic things, the pendulum has begun to swing the other way. We now have softness in rice prices as we do in most of our grains. As Congressman Breaux said this morning, we have all been up here for many, many hearings. By now we will pretty much know what everyone will say and the positions from which they will approach things.

The thing that concerns us is that almost all of the arguments of substance to change the rice program are based upon an examination of conditions over a very narrow time frame when all of these unusual things were occurring. The reason that we had high rice prices, to hear many people's point of view, is simply because the program was wrong, you see. It is implied that because rice prices went up, the program was at fault and we need to dismantle our entire system.

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Fortunately we have been able to stretch these hearings out long enough to see that all of these conditions do have some balance. In fact, the pendulum is now swinging the other way. Our real concern today is over production, as it has traditionally been in the rice business.

We clearly have adequate capability with the existing rice farmers and within the existing acreage that is in rice.

You may or may not know that rice is typically grown in a rotation in which you have one to two times as much land out of production as in production. We have to do this to maintain quality control of our product. Clearly, we have much land in the rice business, in the hands of existing farmers, that could be devoted to rice.

I might point out that these quality requirements are not that critical when it comes to feeding the world. The things that we have to do to produce domestic quality are really not very critical in some of our export markets. We have the capability, for example, to double our rice production level for our Public Law 480 program within the hands of present producers and have had for many years. It is not a fault of the rice program that we have not done this. The problems are simply, as other speakers have said this morning, who is going to pay for all of this and how stable is this demand going to be?

Our investment after the farmer makes his food production, for example, is needed in drying facilities to receive the crop. Mr. Guthrie spoke of the perishability of rice. It takes an investment of approximately $100 an acre for the initial receiving facilities, for example, just to handle rice our of the field.

Now it is fine for the Congress to come in and say, "We have a problem in Bangladesh this year. Let's grow another 250,000 acres of rice." The way this translates to the farmer, though, is "How am I going to amortize a tractor or combine? How are we going to pay for the facilities to handle this product and how long will Congress have the propensity to continue doing this?"

We do not grow rice because of our rice program. We grow it as a business. Is there a real market out there and how long will that market be there? Can we amortize our investments?

I think a lot of people will tend to try to lead these committees to believe that all of the faults are within the program. They are really economic problems.

The other thing I would like to cover, since you want me to hit the high points, is that we very seriously feel that the problems that we have in the rice business and one we have been through for many, many years—we could ask Mr. Chalkley up here. I do not know how many rice crops he has been involved in, but I am sure 50—how many cycles of overproduction we have gone through in this industry. We clearly have the capability in 1 year, even under our existing programs, much less liberalized programs, to literally produce more rice than we even have room to store, to mill, to ship. We think that a mandatory production control device must be, in any type of legislation, we do not think——

Senator LEAHY. Must be.

Mr. NEWMAN. Must be. We do not think that a set-aside approach or some very loose, nebulous type of production control approach as set up in target price concept will work with our commodity. Now it

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may well work with wheat or corn. I do not know. I am not criticizing set-aside as a general concept. But we think it is literally of no value whatsoever in the rice business, that it will do nothing. The reason being, again, because we have all of this cropland that is in this normal rotation. A farmer can go out and set aside 500 acres and we have another 500 acres that he has been rotating. He simply goes over after obtaining his set-aside payment and grows rice on it. What have we accomplished?

We think the only way we can get any effective control to get oversupply down is with the type of mechanism that we have in existing law. This has been true for many years and we really do not think anything has changed in that respect.

Senator DOLE. What do you mean, marketing quotas and allotments?

Mr. NEWMAN. I think in our particular business, in view of the fact that virtually all of our international trade is in competition with governments and quasi-government agencies who make decisions on all sorts of bases other than economics, that we are a commodity that is saying, "We think we need our government involvement in this commodity." That is the nature of all of our competition.

Senator LEAHY. Thank you very much.

Senator DOLE. Thank you.

Senator LEAHY. I want you to know you had much easier treatment at the hands of the committee than the Secretary of Agriculture did yesterday.

Mr. NEWMAN. I think he holds the opposing view.

Senator LEAHY. Yes; that came across.

[The prepared statement of Mr. Newman follows:]

STATEMENT OF RALPH S. NEWMAN, JR., GENERAL MANAGER, AMERICAN RICE, INC., HOUSTON, TEX.

Mr. Chairman and Members of the Committee: My name is Ralph S. Newman, Jr. I am General Manager of American Rice, Inc., a farmer-owned rice marketing cooperative, headquartered in Houston, Texas. Our members' rice production, principally grown in the States of Louisiana and Texas, this crop year will represent about ten (10) percent of the total U.S. rice production. We are involved in all phases of marketing of our members rice from harvesting through milling and exporting.

We believe, as I am certain other witnesses from Louisiana and Texas will agree, that the present, existing framework of rice legislation has well served the needs of the rice farmer and other segments of the rice industry, our Government and U.S. consumers. All facts considered and over a long period of time, we have produced an abundant supply of rice, at reasonable prices, with minimum costs to Government, stable prices to consumers, and have had economic stability both on our farms and in our hundreds of rural communities whose economic welfare is dependent on rice production and its related industries.

Unfortunately, an unusual combination of independent conditions occurred simultaneously which temporarily sent rice prices skyrocketing. Among these were the devaluation of the dollar, poor world weather conditions, worldwide inflation and the still wholly unexplained, unprecedented large commercial purchases of U.S. rice by members of the OPEC group—most notably Iran. The passage of time, as well as substantially increased supplies, both in the U.S. and in other countries, has modified the impact of this combination of factors. In fact, the phenomena experienced within the rice industry, are essentially those experienced in our wheat, corn, feed grain and soybean markets over the past two years. Rice prices today are trending sharply downward in the face of increased supplies and reduced, sustained export demand.

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All of this cyclic movement is typical of agricultural commodities. They always have been and will probably continue to be cyclic in price, which is simply the balance point in the supply demand curve. The alternative to this cyclic approach, of course, is a rigidly administered economic system to which there is abundant evidence, both in the U.S. and in other more controlled economies, indicating that controls do not work in practice and in fact, in the long run, create more problems that they set out to solve.

Our concern is that some perspective of the recent problems in our industry is not maintained in all of the testimony that will be presented before this Committee. On numerous occasions during the past year we have met U.S.D.A., the various rice user groups, ad hoc committees and consumer groups across the table before subcommittees and committees of both houses of the Congress debating changes in our rice legislation. What is of continuing concern to us is the propensity of these various special interest groups and U.S.D.A. to take a *narrow time period*, a peak in a cycle so to speak, and use the conditions occurring at that time to justify and "prove" all of their arguments. We feel there is more wisdom in taking a longer range view of the rice industry and its problems. This means the recognition of the fact that cycles have bottoms as well as tops. At this point we are somewhere in between. In the judgment of many of us the trend line is down.

Let me say at this point that we are in agreement that certain changes can be made in our existing rice legislation that will improve its effectiveness to all interests. We agree that parity is probably an obsolete index to utilize for a basis of a protective mechanism to insure a dependable supply of food through the low points of our price cycles. An actual cost of production index seems to better serve the contemporary need. It insures the consumer that prices are free to trend as low as actual cost, it keeps us competitive in world markets and it provides the mechanism to preserve a stable base of production through the bad times as well as the good.

We also agree that, to the extent that there are viable world markets to be satisfied through expanded production, more rice should be grown both by farmers with and without allotments. Because of our longer range perspective, which many do not acknowledge because it does not serve their position well, we discount substantially the size of this expanded market and particularly, the economic ability to buy our potential production.

Down on the farm, in the real world where there are country bankers, PCA's and a lot of farmers who are pretty good businessmen, the problems of the world's food supply are of interest but they do not translate to a bankable proposition.

Within our present legislation, with no changes, with only our present rice farmers, given a stable year to year demand, our Industry can easily double the current amount of rice utilized in all food assistance programs of this country. The key questions are, of course, where will the money come from to pay for this rice and will this additional demand be stable? It seems poor judgment to us to dismember good legislation unless the answer to those questions are at hand.

I think this measure of additional production capacity demonstrates the most critical problem that faces the Rice Industry. Of all the problems that affect this industry, *overproduction* has historically and contemporaneously overshadows all others. It is by far, the number one concern of every rice farmer I talk with and with good reason—the Industry has had many such cycles of overproduction in the past and has the potential, within only one crop year to be in a disastrous surplus situation again. The production control mechanism in current law was a direct outgrowth of a previous oversupply problem. While not perfect, it has worked pretty well. It can be modified somewhat, as for example, to give us a larger carryover from year to year to meet current marketing patterns.

On one point, I want to be clear. We feel that this production limiting device, called into play when excess supply situations occur, is *mandatory* for the overall economic health of the rice production industry. I think you will find a comparable point of view from virtually every rice producer organization in this country. I know you will find it from all of us who have the job of marketing that production for our farmers as many of us do.

The reason for this statement is simple. Year in and year out approximately two-thirds of the rice production in the United States must be exported. The United States, producing only about two (2) percent of the world production of rice, is a residual supplier of rice in the world market. Our markets and price levels are dependent on conditions in other rice producing areas over which we have no control. Our markets are dependent upon wars, weather and international

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politics. We have no futures marketing mechanism over which to spread risks. Our competitors are largely governments and quasi-government agencies, whose decisions are often made outside of the area of economics. Since we can far out produce our markets, it becomes very important that we have the *coordinated* ability to increase or decrease the production of U.S. rice in accordance with world supply and demand conditions. As much as a farmer inherently dislikes Government controls, the fact is that they are the only effective means of controlling production. Without a legislative mechanism to control production, the only remaining control is financial losses to producers, resulting in controlling their production one year too late and at the expense of chronic instability in our supply and prices. We don't feel this serves any one's best interest.

In closing, we offer our assistance and continuing counsel to both the Congress and the Administration in reviewing and modifying our present legislation to make it a better and more responsive program for farmers, the related industry, Government and consumers. We are encouraged by the attitude of this Committee, as comprehensively reported by the Press, with regard to providing reasonable protection levels to U.S. agriculture to encourage stable production and prices. As a representative of a commodity with an estimated production cost this year of $350 per acre and which is subject to so many extraneous demand factors, I assure you it is absolutely mandatory that reasonable protection levels be provided to rice farmers if we are to continue to build our Industry to meet our domestic market requirements, expand export markets which strengthen the U.S. balance of payments position, and meet the expanding commitments of the U.S. Government in food assistance programs around the world.

Again, however, with regard to our particular commodity and because of the many unique factors which affect it, we feel that an even more critical requirement than a support mechanism is the *retention of a production limiting device* to manage us through our periods of chronic surplus with the least disruption to long-term stability of the Industry. We do not feel that a set aside approach, as typically contained in target price legislation, will, in any meaningful way, provide limitation of production as it is intermittently needed.

I appreciate the opportunity to present the viewpoint of our rice farmers to you today and will be pleased to try to answer any questions that you might have regarding this testimony or any other area of the rice business.

Senator LEAHY. Our next witness is Mr. Leonard Hensgens.

STATEMENT OF LEONARD J. HENSGENS, CHAIRMAN, RICE ADVISORY COMMITTEE, LOUISIANA FARM BUREAU FEDERATION, BRANCH, LA.

Mr. HENSGENS. My name is Leonard Hensgens, a rice producer and chairman of the Louisiana Farm Bureau Rice Advisory Committee. I would like to thank you for this opportunity to testify regarding the present rice program.

My appearance before you today represents 43,000 member families of the Louisiana Farm Bureau, but specifically my testimony is on behalf of the 4,200 rice producer families of our organization. My testimony reflects the policy developed through our statewide rice advisory committee. The committee is composed of rice producers from each parish where rice is grown. Committee members are selected by the parish farm bureau organizations.

First, let me say that Louisiana rice producers are strongly in favor of retaining our present rice program. We feel the legislation has served the industry, consumers, and others well. It provides the necessary mechanisms for increased production when additional supplies are needed. Also, production restrictions are authorized when supplies become excessive and act as depressing factors to the market.

We must be realists. There is a concerted effort by the administration, certain Members of Congress, and others to develop a new rice

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program. This being the case, producers feel it is important that any proposal contain our views. The following are points that must be included in any proposal to receive support from Louisiana rice producers.

First, any new legislation should be an amendment to our permanent legislation. We feel that permanent legislation is a necessity if rice producers are expected to make necessary capital expenditures to maintain a viable rice industry. The base acreage figure should be increased from 1.6 million acres to 2 million acres with allocation to various farms or producers being continued as is the current practice. To assure the American consumer and the State Department sufficient supplies to meet unexpected contingencies, we recommended the provision for normal carryover be increased from 10 percent of normal supply to 20 percent of normal supply. However, if production increases sufficiently to cause the normal supply to be in excess of 20 percent, the production of rice then should be restricted. If carryover of rice into a crop year plus expected production of that year causes the normal carryover to be in excess of 20 percent of normal supply, provisions should authorize the Secretary of Agriculture to reduce the national base acres sufficiently to bring normal carryover at levels below 20 percent of normal supply. Because growers should be assured of some level of support, we recommend that the national average cost of rice production be established as the level of support. According to our information, that level is currently in the area of $8 per hundredweight. Further, such support should be available only to growers who plant within allotted acres. With such a system of support, it would be necessary that a farm yield base be established to reflect the historical production average from allotted acres of each producer or farm. This aspect should be handled administratively as other farm yield base programs are currently handled. Our proposal recommends that not more than 1 percent of the national allotment be available for new grower reserves. Such new grower reserves should be allotted to alleviate hardship situations as defined and judged by respective State ASCS committees.

Mr. HENSGENS. First, to summarize our proposal, the following goals and objectives would be accomplished:

First, allow more farmers to enter rice farming to satisfy expanding world needs for food; second, keep U.S. rice viably competitive in world markets; third, assure reasonable domestic prices, while at the same time providing checks to gross overproduction; fourth, create more stability from year to year in acreage levels; fifth, assure U.S. consumers an abundant supply of rice at the lowest possible price on a dependable basis; sixth, the milling and processing industry will have an adequate supply of rice to meet expanding markets at reasonable prices; seventh, as a bonus, the industry, through expanding the normal carryover level to 20 percent will provide a reserve of rice to meet unexpected domestic and foreign contingencies; eighth, no subsidies, direct payments nor other assurances are asked by rice farmers other than the minimum assistance of the U.S. Government to protect, at cost of production, a base of rice production.

We understand that certain parties are still favoring target price legislation for rice. Our major points of objection are: the proposed legislation is temporary; it provides for direct payments to producers

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which we feel is unsound; and it provides for uncontrolled production which would be disastrous for our industry. With regard to direct payments, it is naive to think that any legislation will be approved by Congress without payment limitations. Further, the best we could expect would be a $20,000 limitation and possibly a limitation as low as $9,400, such as was the case in the proposed sugar legislation.

In conclusion, let me say that the rice industry stands ready to consider any proposal that offers a constructive solution to our situation. It is sometimes frustrating for our industry to try to satisfy Congress, consumers, and USDA officials while trying to write a program that is meaningful to the rice industry. However, we feel that our proposal, which encompasses the ideas of the so-called Houston plan, comes as close as humanly possibly to meeting the criteria of all concerned. I hope that the members of the committee will respect our feelings and assist us in developing meaningful legislation.

I appreciate this opportunity to be here today and welcome any questions from the committee.

Senator LEAHY. Thank you very much, sir.

Senator Dole.

Senator DOLE. In other words you are suggesting we leave the program pretty much as it is?

Mr. HENSGENS. My first choice for my committee was to stick with the old program. The second choice would be to go with the Houston plan or proposal that we had.

Senator DOLE. Now I want to just make certain that I understand as I just indicated to Mr. Guthrie you are in the process of trying to compromise some of the differences that are obvious with different groups, right? Different grower groups and other groups interested in rice, the rice industry. And that negotiation is going on. At least you are trying to work out something. At this point you are not certain what it is going to contain, but you are hoping that at least your eight broad guidelines will be in there somewhere.

Mr. HENSGENS. Yes, sir.

Senator DOLE. And if it is some modified program that might include some modified target price concept, then you might reassess your position on that.

Mr. HENSGENS. I could not say we would go with target pricing because the direct payment concept and the American Farm Bureau, as you know, is strictly against direct payments in any way, shape, or form, so I could not say we could go along with that. But we would like some support at the level of the cost of production so we can be sure we stay in business.

Senator DOLE. That is really what some of us feel that target price ought to be. We do not want to get into—I say we—the taxpayers do not want to get into the business of assuring everyone the cost of production plus a profit of some kind.

So I agree with your concept, that there ought to be some assurance to the farmer that he can at least plant a crop again next year if everything is a disaster and the prices go to pieces.

Mr. HENSGENS. That is all we ask for, just a chance to stay in business.

Senator DOLE. That is not too much.

Senator LEAHY. Sir, let me ask just one question.

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You mentioned in your statement:

To assure the American consumer and the State Department sufficient supplies to meet unexpected contingencies, we recommend the provision for normal carry-over be increased from 10 percent of normal supply to 20 percent of normal supply.

And if production went over to cause the normal supply to be in excess of 20 percent, "the production of rice should be restricted."

How did you arrive at the difference between 10 percent and 20 percent? How did you arrive at the 20 percent figure?

Mr. HENSGENS. Sometimes we run just a little short. You know, it is a long formula. You start this year and figure out 2 years down the road how much carryover you are going to have.

Senator DOLE. What would 20 percent be? Would that be over 10 million hundredweight?

Mr. HENSGENS. It would be approximately 22 million to 25 million hundredweight. Now this would keep from having allotments 1 year of 2.2 million acres, the next year maybe 1.6 million acres and having the industry going up and down and possibly coming up just a little bit short on the carryover. And some people worry about this in that they will not have an adequate supply of food.

Also you have got the contingencies that the State Department might have with some country that is torn up by war and they need this food for feeding the people over there that are starving to death.

Senator LEAHY. But you do not feel 10 percent is adequate?

Mr. HENSGENS. We felt like it was but the target price concept wants open production, they want more rice to feed the people, and we felt like this is a compromise position between what the Department wants and what we want.

Senator LEAHY. In recommending the 20 percent, are you assuming there will be target price legislation?

Mr. HENSGENS. No, sir, we are not saying that we are wanting target price legislation.

Senator LEAHY. No; I realize you are very opposed to it.

Mr. HENSGENS. We want to see that we have enough reserves that we will not get in trouble and the Department will not get in trouble feeding the people and having the consumer not have enough food, and so forth.

I think this was a well thought out compromise. We got in this room and fought it out for about 5 or 6 hours in Houston, and this is the best we could come up with. And we felt like this is something we could all live with, and the industry would be sound.

Senator LEAHY. Thank you.

Senator Dole?

Senator DOLE. Has there been some indication that the Department would accept the compromise? I do not assume they were at the meeting at Houston, were they?

Mr. HENSGENS. No. sir, but we have met with a couple of people in the Department earlier and then we met with the Department after the meeting in Houston. We met with Under Secretary Yeutter, and Mr. Terry Harmon.

Senator DOLE. Yesterday when Secretary Butz was here that this was sort of in the mill. I am certain we can find out from the Department what their response is. That does not mean that they are going to prevail or not.

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Mr. HENSGENS. I might add that Under Secretary Yeutter said they would take it under advisement and see if we could maybe work out an agreement between the Department and the industry, and this is where it is.

Senator DOLE. I hope so. I always get a little concerned when they take it under advisement because you may never see it again.

Senator LEAHY. Oh, not in the Department of Agriculture.

Senator DOLE. But in any administration when a bureaucrat says he is going to take it under advisement, I start looking for another approach.

Mr. HENSGENS. Thank you very much.

Senator LEAHY. Mr. Mott. The next witness is King Mott, vice president of Northeast Louisiana Rice Growers Association, Oak Ridge, La.

Is that correct?

Mr. MOTT. Yes; and you finally have a short statement.

Senator LEAHY. You are our kind of witness.

STATEMENT OF KING MOTT, VICE PRESIDENT, NORTHEAST LOUISIANA RICE GROWERS ASSOCIATION, OAK RIDGE, LA.

Mr. MOTT. I am King Mott, vice president of the Northeast Louisiana Rice Growers, from Oak Ridge, La. I represent an area where there are both rice allotment holders and a great deal of open end rice growers.

We are for the proposed Houston Plan, not 100 percent, since it is not exactly what an old allotment growers would like nor what open end rice planters desire, but we feel that we can work with this plan where there is a possibility that some security can benefit both groups.

We are 100 percent against the target price concept. We are from an area where we have seen what the target price concept did to the cotton farmer in a bad year. There are more cotton farmers going broke this year than I have seen since I have been in the farming business. Rice farmers in my area do not want to experience this same situation with a target price program.

It concerns me to hear our Secretary of Agriculture say that with consumer Congressmen he can pass a target price bill. I would hope that the Secretary would be for a farmer and consumer program which would get votes from both agriculture Congressmen as well as consumer Congressmen, if there is a difference.

Last, but not least, if we are going to have some type of open end rice program, let's hope that Congress, the State Department, the Department of Agriculture, and the President will let us have free trade in the world market without interference. We want to sell our product to the world without the fiasco which happened to the soybean farmers last year when the Government put export controls on them.

It just amounts to this, if there is no profit, we cannot grow rice. We cannot feed the United States, much less feed the world.

Senator LEAHY. Thank you very much.

Senator, did you have a question?

Senator DOLE. Just to confirm, do you support the Houston plan?

Mr. MOTT. Yes. We are from an area where we have a lot of open end production, in other words, new growth. The Houston plan fits both of us. I am an old rice grower. It is not exactly what I would want.

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Senator DOLE. You are a young rice grower.
Mr. MOTT. I have an allotment. It is the best we could come with.
Senator LEAHY. In other words, it is not perfect, but you can work with it.
Mr. MOTT. That is right.
Senator DOLE. When we get through with it, it will be perfect.
Mr. MOTT. I know it will.
Senator LEAHY. Thank you. Next we will hear from Mr. Baker and Mr. Corbett from Alicia, Ark.
Mr. BAKER. I am Mr. Baker, and this is Mr. Corbett.
Senator LEAHY. Are both you gentlemen testifying?
Mr. BAKER. Yes, that is right. This will be in two parts.

STATEMENT OF NOEL BAKER, ALICIA, ARK.

Mr. BAKER. Mr. Chairman, members of the Senate Agriculture Committee, and guests, Larry Corbett and I, Noel Baker, representing rice farmers from Arkansas, would like to thank you for the opportunity to discuss with you a rice proposal for new rice legislation in the 94th Congress. It is vital to the success of our farmers in America and the economy of this Nation.

In the Rice Advisory Meeting, February 12, we proposed a bill for rice for 3 years with two permanent parts. The first part of this will be to maintain old growers allotments at the 1.6 million acreage currently provided for by law.

Permit new growers now and in the future and any old growers a minimum acreage of 35 acres per farm if he has enough ground suited to rice production. If one does not have enough ground suited to rice production he would be allowed the acres he did have suited. These growers would be guaranteed this minimum below which he would not be cut with the same rules and guarantees as old growers. Any type program that is passed must insure a unit that would be economically feasible.

Amend the 1938 law and amendments to reflect no quota penalties. Give no one the power to put penalties back into effect. If we have open production and there is not enough demand for rice then the marketplace will force the production down leaving all growers with their allotments as a support for the industry. This part would be a permanent feature after the temporary bill expired.

I would like to back up and say that No. 2, the 35-acre minimum allotment would be a permanent feature after the old bill expired.

The target price should be figured each year to provide for cost of production plus a reasonable profit incentive. Payments if any should be paid to only those rice producers who sold their crop for less than this cost of production figure and the average price they could have received during harvesttime in their State. This protection would only be for the amount of allotted acres to all farmers in the program, with no discrimination to old or new producers.

Gentlemen, we cannot have a segregated agriculture in America.

Continue to watch what happens during this temporary program and work on a permanent program that would be fair to all. We submit that this could be done equitably on a cultivated acres basis provided that the small grower was guaranteed the minimum stated above in item 2, would be maintained to insure an economically feasible unit.

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After careful consideration of the bill broadly outlined in Houston as reported in the Washington Riceletter, we feel that the interest of the new growers were possibly not considered as strongly as it should have been. The reason we feel this way is that we believe we represent the majority viewpoint of all farmers if one would bother to take a poll of each individual farmer. In support of this we submit over 200 signatures obtained on a bad weather night in Walnut Ridge, Ark., and eight men sent to Washington for the rice advisory meeting in Washington. We have had a tremendous response of additional people since the meeting saying, I want to help on what you are doing, and yet we were not told or heard at the Houston meeting. We have many reasons for our position as outlined in the folder we are leaving with your chairman.

Some of the reasons are: No. 1, freedom to all farmers, eliminating discrimination; No. 2, more jobs, reducing unemployment and aiding businessmen; No. 3, improve the Nation's balance of payments; No. 4, aid in reducing consumer food prices; No. 5, aid in feeding the hungry of the world; No. 6, aid productivity and cleanliness of farming land; No. 7, eliminate financial difficulties to many farmers, where they can permit better planning and have a better standard of living in this Nation.

Our prayer is that you and our leaders in Washington will consider all plans presented and give your personal support to the plan that is best for the old grower, for new grower, for the U.S. consumer, and the world, not what one group would have you do.

Gentlemen, in closing, let us ask ourselves what is important to the farmers of America, to the consumer, to the economy and the hungry people in this Nation and in the remainder of the world? Let us all put aside our differences and work together for the good of America as well as our allies and other people in foreign lands.

Senator LEAHY. Mr. Baker, you say that the target price should be figured each year to provide for the cost of production plus a reasonable profit incentive. Do you have any problem in arriving at the cost of production?

Do you approve of the amortization of land that may be steadily increasing in value?

Mr. BAKER. We really feel, and as has been stated many times before, we all see the condition cotton is in, and I am a cotton farmer too, that this should be allowed to move up as the cost of production moves up.

Now, I think it should only be high enough, as Senator Dole has brought out, to guarantee us enough to only maintain an efficient operation, not excessive.

Does that answer your question?

Senator LEAHY. I think so.

Senator?

Senator DOLE. No, I will wait until you finish.

STATEMENT OF LARRY CORBETT, ALICIA, ARK.

Mr. CORBETT. Two million acres allotment previously proposed is too much to old growers because to give any to the new growers on top of this would require the Government and the consumers to support too much.

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Leave the allotment at 1.6 million acres to old growers and add protection for new growers and we can have a much lower total figure. Why should old growers be increased and new growers continue to be discriminated against.

Some people worry about overproduction. In Lawrence County, Ark., which is my home, last year there were 67 new growers who produced 4,784.6 acres. Old growers raised 5,885.1 acres above their allotments. Their production above their allotments exceeded our total production by 1,100.5 acres. Who does this suggest will try to overproduce?

Gentlemen, we are scared. All proposals we have heard have some method of eliminating the new grower completely, if certain conditions are met, such as 10 percent, 20 percent, what have you. That is why even in our temporary proposal you just heard, which is the Arkansas New Growers Proposal, we included two features on a permanent basis: No quota penalties and a 35-acre minimum to protect new and small farmers.

Our proposal is open production with no penalties that lets the market dictate production. Old growers have their 1.6-million-acre guarantee if prices drop to where it is needed. New growers have 35 acres protection if needed. Consumers and the world have the knowledge that if demand is there all producers can produce to the fullest degree. This will help our balance of payments deficit and unemployment as the agridollar is put in the economy.

We feel we have the compromise bill that is needed and we sincerely appreciate this time you have given us. Again, our prayers are that our leaders here in Washington will consider all plans presented and give your personal support to the plan that is best for all concerned elements, not what one group might have you do.

And, if I could, I would like to add one thing, too. At this meeting of the advisory committee that was held a couple of weeks or so ago, and in Houston, it is my understanding that there was not a single new grower on the committee. It was all old growers. So when you are talking about the industry in the past, you are talking about old growers.

Now, we are farmers. We have never been to Washington before except for that advisory committee and this one. There were eight of us. Five of them had never even flown before. It was referred to earlier that we—maybe some interest had paid money into it, but we are paying our own money because we think it is important. We ask you to consider all of this. We like our friends who are the old producers and are trying to give them the lion's share of it, but give us some protection so that down in the future we will not be completely put out of the industry.

Senator Leahy. Is there any economic reason such as the cost of starting up to favor a new grower over an old grower or vice versa?

Mr. Baker. In my own production, I went into rice last year and I did need the grain storage facilities, I needed the irrigation wells, I feel like that water is one of the keys to better production in this country, whether it be rice, milo, cotton or what have you. I put approximately $20,000 into my investment in 1974. We have stated in the folders, and it will be filed—this created a lot of jobs for a lot of of people.

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This year I will be putting $15,000 into it. I will be expanding my production, so this is approximately $35,000 that has moved into the economy from the new grower going into rice production business.

Now, if the rice supply did get to the point that we did exceed it by 20 percent without any protection for your new growers, you are going to have a lot of farmers, and a lot of farmers have gone into it, that could be in trouble.

Senator LEAHY. Who are those farmers going to be, the new growers or the old growers, or is it going to pretty much cut right across the whole scale?

Mr. BAKER. You mean the ones going into it?

Senator LEAHY. No, no, no, I mean if you go out of production and the farmers are in trouble; is it going to hurt the new grower or the old grower, or is it going to cut right across?

Mr. BAKER. With the Houston compromise it will hurt the new grower a lot more than it will the old because you will be guaranteeing one segment of agriculture that they will be supported and the new growers will be left out with no guarantees. So he will either have to use his bins and his irrigation wells—as I said he could—for other crops, but I do not believe this is really fair and just that he would be left out like that. The old grower would maintain in business.

Mr. CORBETT. If I may, I have a folder here with a lot of background information. I would like to ask if it would be possible to put this in the record.[1]

Senator LEAHY. I do not think anybody has any objections.

Senator DOLE. No; I do not have any objections.

How long have you been raising rice?

Mr. BAKER. All right. I am going to say something. I have had an allotment of 13.1 acres. It belongs to another man, but I have been farming it for approximately 7 years. I have thought all along that this was too low, it was not economically feasible, and that is one reason why we have suggested 35 acres. Now, I went into expanded rice production in 1974 and 1975.

Senator DOLE. What do you mean? How much did you add then to that 13?

Mr. BAKER. Approximately 62 acres.

Senator DOLE. That is your total?

Mr. BAKER. That is my total now, about 75 acres, but I will probably be raising around 200 this year, or better.

Senator DOLE. And what is your situation?

Mr. CORBETT. As far as mine goes, we have never raised rice before until this last year, completely new last year. We have one of the first, and I think the first rice farm in Lawrence County. When my dad was able to purchase this farm, there was no allotments. We have never been able to raise it. And it was alluded to before, too, that they have spent a lot of money on markets and so forth like this. Well, this is true. We agree with that. That is a very good idea. We would just love to be able to share in it, but we have never been able to or afforded the opportunity to, so we are completely new growers.

Senator DOLE. Maybe you already have submitted some statistics on what percent or how many acres are planted by new growers and how many by old? Maybe you had it in your statement.

[1] See p. 1272.

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Mr. BAKER. Can I clarify that a little bit?

When we were here in the Rice Advisory Meeting, we asked for this information from the U.S. Department of Agriculture. I was in my local county ASC office, the Washington office has requested this information. It was to be in by the close of business February 18. I am not sure whether they have it now. They had it from one State, from the State of Mississippi, and that was the number of new producers, the amount that they raised, the number of old producers with allotments, and the amount they raised, and the amount they raised over and above their allotments. And I think probably you could get that letter, Senator Dole, if you need it.

Mr. CORBETT. The one thing we alluded to was in our local county. The national figures is what he was referring to.

Mr. BAKER. On the 35-acre allotment, I would like to say one thing. Some people say, well, that would run it too high.

Well, our Government has been operating from 1.6 to 2.4 million acres on rice, 10,000 35-acre allotments would only be 350,000 acres, so we would be operating at 1.95 or within that category, and this year the allotment is 1.82, or 1.89, I am not definitely for sure, so you could bring your new producers into the production of rice and give them a little guarantee to keep them in business and not exceed what the government is supporting at this time.

Mr. CORBETT. We have heard some people refer also to a no program. If you wanted to go no program, we would be willing to go along with that, provided we rescind this 1938 law, because it also can put the new producer completely out. So if we would rescind that and get it off the books, then we would be happy to go with no program. If not, we think that we do have a proposal here that would give the old producer the majority of the guarantee and give us just a little bit in case of bad times and also have open production, no penalties so the consumers and the world can take benefit without a lot of redtape.

Senator DOLE. As long as the market price is the support price, it does not make any difference to you whether they have got a program or not.

Mr. BAKER. That is right.

We were talking about this, and I think you could say we would be talking about a program with inactive allotments, that there would be no problem to administer them, and if we did have a complete market collapse or had a depression in the country, then you would keep your farmers on a sound basis which if agriculture remains strong in this country, I think we can work our problems out. If we get into trouble in agriculture, we have serious problems on a lot of things.

Senator DOLE. Thank you.

Senator LEAHY. I have nothing further.

Thank you.

Mr. BAKER. Thank you.

Mr. CORBETT. Thank you.

Senator LEAHY. We will put your other material in the record.

[The following material was referred to on p. 1270*:]

*Additional material retained in committee files.

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THE JOURNAL OF COMMERCE AND COMMERCIAL

ANOTHER GO AT THE RICE BOWL?

When the Rice Bill died in the House just a month ago, its passing drew very little comment. Congress was then rushing toward adjournment and had to dispose of a lot of important measures first. The Rice Bill, which the House killed by a vote of more than two-to-one, and on which the Senate hadn't voted at all, was not considered to be among them.

It strikes us as more than passing curiosity that it wasn't. A great deal of oratory at the Rome International Food Conference earlier in the year had repeatedly stressed the urgent need of increasing production of such staples as rice. Critical shortages in Africa, Asia and elsewhere were cited on all sides as omens of famines and other disasters yet to come.

Moreover, sharp price increases in the United States were producing rising demands for action. Consumer groups wanted it and so did the Ford Administration. There were no demands that producers be forced to produce more. There were, however, demands that the government stop forcing them to hold their output down.

To some, including us, it seemed well-nigh incredible that a government so dedicated to the alleviation of worldwide food shortages should still be applying a quota program limiting production of an item as vital as rice. But that, despite earlier removals of acreage restrictions on other crops, was precisely what it was doing and what it will still be doing throughout 1975.

The main thrust of HR 15263, the bill killed by the House, was at the acreage allotments. It would have ended them altogether and allowed anyone wishing to produce rice this year to go ahead and do so, for marketing quotas were to be terminated along with the acreage allotments.

The theory behind this move was that as more farmers began to produce and market rice, the price would inevitably fall and with it one more source of steam under the general price level. But the traditional producers wouldn't have been left high and dry, for rice would be included in a target price system similar to those set up in the Agriculture Act of 1973 for wheat, feedgrains and cotton. In other words, it was a pretty mild cure for a pretty bad situation.

Why, then, did it fail? One argument was that the acreage restrictions weren't actually applied last year because existing law required their removal when rice was in high demand. Another was the 1974 crop; it had been comfortably large and had triggered a slight drop at wholesale levels when it came on the market.

But the main argument was that the quota system was working well and must be maintained to stabilize the market. The politically powerful large producers in Texas, Louisiana and California like the marketing quota system because it virtually guarantees each a share of the market. Unregulated competition, they fear, would ruin the farmers.

We suppose it has ever been thus. Competition and stability are held incompatible. Where the former is introduced, the latter dissolves. Even a target price system that might cost the government several billion over a five-year period is no substitute for the kind of stability the favored producers apparently think should be guaranteed them in perpetuity. What's better (or worse)? Stability at high prices? Or instability at lower prices?

Different people may come up with different answers to this, depending on whether they are producers or consumers of a particular item at issue.

But most people understand perfectly well the sense in which the word "stability" is usually employed in a particular form of economic activity, whether it be with respect to ocean freight rates, sugar, coffee, textiles or almost anything else. It means the maintenance of prices at high, not low, levels. It signifies the perpetuation of the status quo in a given market.

And so it is that Congress, seemingly heedless of clear warnings that worldwide food shortages are imminent, stalled for months and now refuses to lift restrictions on the production and marketing of one of the most basic food staples on earth, and one, incidentally, that this country is singularly well equipped to produce.

Or was that just the 93rd Congress? After all, the 94th isn't obliged to follow suit. It could make a good name for itself in world history by acting this year to wipe out the rice production limitations altogether.

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ALICIA, ARK., *November 13, 1974.*

Subject: Rice planting program.

DIRECTOR, COTTON, RICE, AND OILSEED DIVISION,
Agriculture Stabilization, Conservation,
U.S. Department of Agriculture,
Washington, D.C.

DEAR SIR: I appeal for your support in working for permanent legislation for farmers to be free to plant rice and other crops of their choice.

Rice is of particular interest at the present time, as a rice-soybean rotation will:

(A) Aid in production of higher yields per acre for both rice and soybeans
(B) Aid in control of weeds
(C) Puts more organic matter and lime back in land compared to most dry-land crops grown in this area
(D) Enables otherwise marginal land (post-oak type) to be highly productive
(E) Aid the balance of payments trade with other nations
(F) Help feed the hungry nations of the world

To me laws that discriminate against one person in favor of another are unconstitutional. Acreage controls of rice or any other crop falls in that category as it eliminates our right of equal opportunities. The government should provide guidance as to current stocks on hand, projected needs, and projected planting intentions here and abroad and then leave the decision to plant or not up to the individual farmer who will then suffer or reap the rewards of his efforts. This concept of equal opportunities and individualism made this country great not a government that tells one every move one can make.

To change from the present program of permitting individuals to plant rice would undoubtly cause financial losses to a huge number of farmers that would be very difficult and in some cases never be overcome. The huge investment in storage bins, wells, power units, and other capitol investments have obligated and put in debt many new rice growers. It will take several years before the capitol expenditures could possibly be recovered and the heavy expenditures without the benefit of being able to plant the crop for which the expenditures were made could force many farmers into bankruptcy, foreclosures, etc.

As a board member of the Lawrence County Arkansas Farm Bureau and a farmer I know a huge majority of farmers in this area agree with the program of freedom to plant whatever is best for one's land and what will earn one a living (law of supply and demand will work if given a chance). The target price concept is alright but it should be tied to cost of production each year and not act as a low floor price on commodities. Even old rice farmers in this area agree that target price and market concept was fine, however they do want (and rightly so) rice to be on the board of trade as other grains are (Ref: Lawrence county rice committee resolution—Farm Bureau 1974). I am sure a majority of farm bureau members do not go along with the present national farm bureau policy. The NFO I understand also holds the freedom view.

Let me again appeal to you to permit us freedom to plant rice again this year but, also to work for permanent legislation to eliminate all controls on planting crops. Complete freedom with guidance and less dictated controls—please.

Sincerely yours,

LARRY E. CORBETT.

[Reprinted from the Congressional Record, 93d Cong., 2d Sess.]

RICE, TRADE DEFICITS, DIPLOMACY, AND CONSUMERS

Mr. ALEXANDER. Mr. Speaker, Tuesday, the Rice Act of 1974, H.R. 15263, was soundly defeated by opponents of an expanded and competitive industry.

Today, I am introducing the Rice Act of 1975, as a first order of business for the new year. It is my hope that the small snowball which hardened during the debate on this important issue will gain momentum over the holidays and that it will roll into the 94th Congress with additional size and support.

In introducing this bill I acknowledge the existence of formidable opposition in the Congress. In Washington, I must observe, it is not infrequent that the voices of full pocketbooks scream louder than the groans of hungry stomachs. But, the facts remain.

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First. America is a bountiful land which possesses an increased capacity to produce food.

Second. World demand for rice as a stable food is enormous. Evidence is abundant that population is increasing at a much faster rate than food production. Next year I would hope to elicit the support of the international community and would welcome their active participation in this legislation which would change a national food policy in order to achieve international goals. People simply cannot eat conferences, and active support in specific food legislation is essential to success.

Third. Just this week the United States trade deficit fell another $1.1 billion into the red in the first 3 months ending in September. The Department of Commerce reported the balance was in deficit by $3.58 billion in the third quarter compared with $2.48 billion in the second quarter and a surplus of $1.8 billion in the first quarter.

For the first three quarters of this year the trade deficit is already $4.26 billion.

In announcing the second largest trade deficit in U.S. history Secretary of Commerce, F. B. Dent, said that this severe deficit "underscores the need for vigorous promotion of U.S. foreign trade."

This urgent need compels me to point out to my colleagues that American dollar export potential for rice alone is about $1 billion annually which could reduce our current trade deficit by almost 25 percent.

Therefore, I shall again enlist the active support of the business community which, like the international community, must involve itself in the Rice Act of 1975 to change a national food policy in order to respond to a national fiscal emergency.

Lastly, as we have previously pointed out, the current rice program is inherently unfair to American consumers because a minimum domestic price is now established without regard to market or competitive considerations. The current noncompetitive rice industry insures higher consumer prices.

Though some consumer groups actively assisted us in our efforts this year we must sound the alarm for more support from other consumer interests next year in order to attack the inflationary rice industry that exists under the current program.

Protectionism is the product of complacency but the motivation for survival of the current obsolete rice program has been stronger than the determination of business interests, the international community and consumer groups to change a law for a bygone era.

Senator LEAHY. Mr. Rosenthal. This is George Rosenthal, Independent Bakers Association of New York, N.Y.

We are glad to have you here.

STATEMENT OF GEORGE ROSENTHAL, INDEPENDENT BAKERS ASSOCIATION, NEW YORK, N.Y.

Mr. ROSENTHAL. Thank you, Mr. Chairman.

My name is George Rosenthal. My appearance is on behalf of the Independent Bakers Association which represents the bulk of the individually owned and individually operated wholesale bakers in this country.

Because its members do business, in the main, in single bakery units and market their products in single sales areas, the proprietors of IBA member-bakers probably enjoy a closer liaison with their grocer vendees and the consumers of their baked foods than do the entrepreneurs of the multiplant, multimarket national chain bakers. In this context, I speak not only for an important segment of the baking industry but I express the views of the consumer.

We recognize that there is much in common between the grain farmer and the baker. The farmer is beset by the threat of drought, flood, caprice of climate, and of season, plant disease and other natural disaster, as well as by economic changes all beyond his power to control.

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We recognize that this exposure of the farmer renders him dependent upon governmental aid, both Federal and State. We do not consider the aid which he has received to be unfair or blindly discriminatory, either to business in general, including the baking business, or to the consumer. We refer, for example, to legislation which singles out the farmer for preferential treatment in such important fields as limited tax exemptions and the freedom to market his produce at prices collectively determined through cooperatives. We are satisfied that the reasons for so classifying agriculture are founded on a real distinction between that pursuit and ordinary industry.

There is an interdependence between the farmer and the baker. A substantial portion of the farmer's crop is ulitmately processed into human food for an expanding population. That which affects the farmer has an impact upon the price at which baked foods are offered on the grocer's shelves.

It should amply be clear that our appearance is not to contest any legitimate interest which the farmer has in seeking modification of the Agriculture Act which was enacted last year.

IBA does not oppose such change as will enable the farmer to continue farming and we realize that, in order that he may do so, he must be rewarded for his efforts.

We independent bakers are quite aware that the absence of rewarded effort leads to an untenable situation, one which has rendered it unprofitable for many of us to continue in business and which has resulted in the demise of some of us. We do not want that to happen to the farmers.

The current target price for wheat was set last year at $2.05 per bushel. If it was proper as accurately reflecting the conditions which applied then, it cannot be proper now, since it fails to reflect markedly altered current conditions. It should be increased to a sum more realistic in the light of heightened production costs which beset all of us, the farmer included.

IBA claims no special expertise either in appraising the fairness of the target of $2.05 per bushel in 1973 or in calculating an equitable target price to be established now. It would appear that price indices and other source materials to which reference can be had point to the appropriateness of an increase per bushel sufficient in amount to stimulate, as well as encourage, maximum production of wheat, and assure the farmer a reasonable profit.

The farmer is entitled to no more. The consumer is entitled to no less.

We are not equipped to hazard even a guesstimate as to the amount of the increase. The final figure should be ascertained by skilled experts, armed with the most advanced and accurate data at hand and utilizing the same, objectively and without prejudice with respect to any facet of the American economy.

It would be idle to dwell on the unhappy state of America's economy. But we do need to be reminded that unless America is kept strong, it will be unable to help others. We do not oppose grain exports to feed the needy. But we must maintain the health and well-being of our own people.

To this end, we urge that there be an annual carryover as of each July 1, of 350 million to 400 million bushels of wheat of all grades

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necessary to satisfy the requirements of the American consumer. And this is not limited to those strains of flour needed for producing quality bread, it includes other foods, such as pastas and cake, as well.

The modest carryover which was projected by the USDA in the spring of 1974 of 250 million bushels of wheat was not realized. The shortage of good milling wheat in their areas caused two large mills to close down. Wheat is by no means of uniform character, the various end uses of wheat call for various strains of wheat.

No one strain can satisfactorily fill all needs. Quantity alone does not furnish the answer. Even assuming an adequate supply of wheat quantitatively, there can still be a dearth of wheat for some purposes, a lack of flour adaptable for some products, and a shortage of the baked food with which IBA is chiefly concerned, bread acceptable to the consumer.

Bread is a perishable product. Bread which is rejected by the consumer constitutes not only a wastage of the finished product, not only a wastage of the flour which forms its chief ingredient, and of the wheat from which it is milled, but also of manufacture, labor, energy, and delivery costs. This is hardly sound economics. This could not be justified even under the costliest of economic conditions, much less tolerated in the doldrums in which we are now floundering.

We are aware and are pleased to note, that the matter of grain export control is receiving attention. Out hope is that those under whose supervision such undertaking is administered will act with due understanding that they represent the United States, not any one region or isolated interest.

The admonition is offered not frivolously but in the spirit of complete good faith.

Public Law 480 is noble in purpose, foreign food aid is a serious project, as costly to the consumer in America as it is essential to the beneficiary abroad. Underdeveloped countries, including Bangladesh, Syria, and Egypt, have received this year about $1,400 million under the program. From 1950 to 1970, India alone was the recipient of $10 billion in foreign aid, principally in the form of food. In 1974, repayment of $2½ billion of that $10 billion was forgiven. An extensive but expensive foreign market is thus created. Payment is in foreign currency, over long terms and at low-interest rates. To the general public, the program amounts to an indirect subsidy at the expense of the American consumer and taxpayer.

We do not oppose Public Law 480 nor do we seek that it be dehumanized. However, it is too obvious to require comment that many who yesterday were deemed underdeveloped countries have today become the world's prodigals. Nevertheless, we do not take the stance that the United States should utilize its food supply as an implement of foreign policy in the manner in which oil is being utilized. But we would advocate greater selectivity in the application of Public Law 480. Greater care should be demonstrated in arriving at a fair, but not excessive, target price for wheat, including that which is exported under the provisions of that law. Those properly defined as needy thereby will better be served, as will the American consumer and taxpayer.

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Americans are no less entitled to consideration than are foreigners. The ill-nourished of the world know no national borders. If the American Food Stamp Program inadequately sustains its recipients, let their burden not be intensified either by a domestic wheat target price which cheapens the value of their food stamps, or by a lack of adequate control of wheat exports.

It has been said that he who fails to learn from history is doomed to repeat it. When cattle were kept off the market in an artificial effort to control supply and thereby yield higher beef prices, a consumers strike or boycott was triggered which produced a result contrary to that sought by the cattlemen. Beef prices declined at a time when the cost of feed increased. A target price for wheat set at a figure which is pleasing to the farmer, but oblivious of consumer response, may similarly affect the cost of baked and other foods of which flour is an ingredient. Since baked foods cannot be stocked in inventory, wheat supplies may back up; but the demand upon the Government by reason of high target prices will not abate.

In a similar vein, the building of strategic world reserves without specific reference to, and provision for, domestic requirements can only remove quantities of American tonnage from the marketplace, and reduce the available supply at a time when demand is on the ascendency, with the inevitable result of increasingly higher market prices.

IBA does not underestimate the task which this committee faces. It is as complex as it is vital. The legislation to be adopted, while having its initial impact upon the farmer, of course, will be passed along to the miller, the baker, the grocer, and ultimately to the consumer and taxpayer—its ripple effect will be felt throughout our economy.

This organization welcomes the opportunity afforded it to express its views regarding the basic subject of agriculture, and the nature and degree of support to be accorded to it. We would also welcome the opportunity to work actively with the committee and with such personnel as it may designate, in an effort to reach a conclusion which will be representative of the views of all of the people, and equitable to the rights and interests of all of the people.

The honoring of my request to appear and be heard is significant, not because of the content of my statement but, rather, in demonstrating that the constitutional right of the people to come to Washington and petition their Government endures and is meaningful.

Thank you, Mr. Chairman.

Senator LEAHY. Mr. Rosenthal, you speak of stragetic world reserves. You say, in a similar vein, "the building of strategic world reserves without specific reference to and provision for domestic requirements can only remove quantities of American tonnage from market place" and so on.

Does your association have a figure or a policy on what kind of provision should be made for the domestic market?

Mr. ROSENTHAL. Well, we talk about a carryover of 350 million to 400 million bushels of wheat as of July 1, which is usually the beginning of the new crop year.

Senator LEAHY. And what kind of a strategic world reserve would you build, or are you primarily concerned with the amount that would be there for domestic requirements?

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Mr. ROSENTHAL. We are primarily concerned with the domestic carryover needs of industry to feed the American consumer.

Senator LEAHY. So your association does not have a position on a strategic world reserve.

Mr. ROSENTHAL. We are not opposed to a strategic world reserve.

Senator LEAHY. No; I understand that, but you do not have a position on the amount that it should be.

Mr. ROSEHTHAL. No; not actually.

Senator LEAHY. But you do on the amount that should be for domestic requirements.

Mr. ROSEHTHAL. We know what is needed to keep the pipeline filled for domestic needs, that is 350 million to 400 million bushels as of July 1.

Senator LEAHY. Senator Dole, did you have a question?

Senator DOLE. You know, the bakers have their problems just like the farmers, and you touched on that. We get into all of this every year over the reserves, and whether or not this is a ploy by the bakers to get someone to hold their stocks for them at Government expense. I do not really believe that to be the case, but I think it might be helpful for the record to show how many independent bakers have gone out of business in the last 6, 8, 10 years.

Mr. ROSENTHAL. In the last 2 years, the international labor union here in Washington has informed us that they have lost over 10,000 jobs in the baking industry.

Senator LEAHY. 10,000?

Mr. ROSENTHAL. Yes, sir, all over the United States. And this is bakers. These are jobs and these are bakeries. That is just the bakers themselves. This does not include teamsters and does not include nonunion jobs.

Senator DOLE. Does your association constitute only members in the baking industry?

Mr. ROSENTHAL. Yes, sir, we only have members of the baking industry in our association.

Senator DOLE. Does nearly every independent baker belong, or do you have any idea?

Mr. ROSENTHAL. No, we are primarily bakers in the smaller range bakers, doing within $5 million and $10 million a year business, individually owned plants. None of them are public corporations as far as I know, employing anywhere from 100 to 300 employees per plant, and they are all over the United States, in every State.

Senator DOLE. But there are fewer now than there were a few years ago is the point I am trying to make.

Mr. ROSENTHAL. Yes, sir, we have lost quite a few members and we would like to see the bakers stay in business.

Senator DOLE. Yes, because if the farmer does not stay in business, it would be pretty hard for you to stay in business.

Mr. ROSENTHAL. It is not good for the baker and it is not good for the American consumer.

And I think, Senator Dole, you know that in the 1973 act when it was going through, we supported the target price concept at that time. We worked for it, we still believe in it as an insurance policy to keep the farmer in business, like the disaster thing. Farmers should have that backup. That is what we believe.

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Senator DOLE. A particular sore point with the bakers was the so-called bread tax, which is no longer with us.

Mr. ROSENTHAL. Thank God we got rid of that one. But we came down to work for that and we ended up working for the farmers after that was over, and we still believe in that and we still support that position. And we believe that the target price should be increased at this time. We cannot say exactly how much. We do not believe it should become excessively high because that might become terribly costly to the Government and then there would be a reaction.

I say in my statement, some of the beef people made a mistake when they held their beef off the market trying to get the price up, and then they ended up with a boycott, and then they got caught with high grain prices and now they are all suffering for it. One thing leads to another, and one action brings a reaction.

Senator DOLE. That is a problem. If you get too high you can always be certain of getting your cost back. I do not know why you would ever be in any hurry to sell it if you have a little money lying around.

Mr. ROSENTHAL. Well, the target price, as you know, the way it would work is that whatever the farmer got for his wheat, if he did not get as much as the target price, the Government would make up the difference. The Government would not necessarily end up owning the wheat. You know, last year we were down here complaining about a wheat shortage and the dollar a loaf of bread thing was going around.

Senator DOLE. Yes, I remember that going around.

Mr. ROSENTHAL. We do not talk about that this year because we do not think that is going to happen, and we do not think there is going to be a wheat shortage.

Senator DOLE. It did not happen last year.

Mr. ROSENTHAL. There was a wheat shortage last year.

Senator DOLE. But it never got to a dollar.

Mr. ROSENTHAL. No; it did not.

Senator DOLE. I think there was a guy that brought a loaf of French bread for $1.12.

Mr. ROSENTHAL. He must have gone to Paris for it.

Senator LEAHY. Do you have anything else?

Senator DOLE. No, sir.

Senator LEAHY. Thank you very much.

Mr. ROSENTHAL. Thank you, gentlemen.

Senator LEAHY. Mr. Halbach, vice president and general counsel of Riviana Foods from Houston, Tex., is our next witness.

STATEMENT OF JOSEPH HALBACH, VICE PRESIDENT AND SECRETARY, RIVIANA FOODS, HOUSTON, TEX.

Mr. HALBACH. Thank you, sir.

We do not have a formal statement to submit for the record for a reason I will discuss in a moment.

Just a word about our company, if I may. I think we have a somewhat unique position in the industry. My purpose today is to try and express from that viewpoint how we see the implications of the 1938 Agricultural Adjustment Act, the act presently covering rice production in this country, how we see the current rice situation in the United

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States and in the world, and how we see the future of rice in the United States and the world. something very dear to us.

Riviana is, by some Wall Street standards, I suppose, not a very big company, we are in a broad line of food businesses. Riviana's name is a contraction of two very old line rice companies, Louisiana State Rice Milling Co., and River Brand Rice Milling Co., and our business is still heavily predicated on our foundations in the rice business. Most of our top officers, in fact, three of our top officers are out of the rice business. Several of our board members still are rice growers, and so we are very closely connected with the rice industry.

Riviana is one of the largest rice millers in the United States. We do not grow rice. We have no direct connection to the farm itself.

Some of the gentlemen who are here today, Riceland Foods, Mr. Jones and Mr. Carter are probably the largest millers marketers, and I think a California co-op, is probably second, and I would have to guess we are third. We are probably the leading marketers of packaged rice in the United States. Basically, marketing of packaged rice is our business.

We do try to make a profit on milling, but that is secondary to being marketers of packaged rice. Along with that, and being not such a big factor in the total food industry, we do happen to be the largest exporters of packaged rice in the world. That is a fantastically growing business with tremendous potential which I would like to talk about in just a minute.

Before I make those comments, I would like to say this. Last year as members of the Rice Users Ad Hoc Committee, we supported what is now H.R. 201, a new bill in the House this year, slightly changed from last year, and Senator McClellan's bill, Senate bill 4121.

However, as a company, as an organization ourselves, as separate from the group that supported those bills, we would have lots of flexibility in supporting what we think would be to our own advantage. And what we really want is to be able to have more rice available so we can sell more rice. We do not have all of the same problems in our business, frankly, that other people would in selling or marketing rice.

So we have flexibility regarding the legislation we think is good for us as well as being good public policy. However, we do think that the legislation that is considered must be advantageous, short and long run, to the industry. By the "industry," I do not mean just growers, as I also do not mean just millers or marketers. I included those as well as consumers here and abroad, and lots of others.

The reason we are not submitting a statement is because I would like to request permission, before the record closes, to submit a statement later. I understand the Department of Agriculture should have a bill to submit by the end of next week. As many of the growers here, we have been working with the Department. Next week is the target, although DDA might submit it later, they hope to have it, and we would like to submit our comments with the idea it might be more helpful, sir, at that time.

Senator LEAHY. It is the Chair's intent to keep the record open for a week for filing statements. Would that give you enough time?

Mr. HALBACH. I do not know, but maybe we will have enough

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sense about what the Department and others will do, that we can comment. If not, we will get some comment into the record at that time with more specific details on our general feelings.

As a perspective to my comments about where we are going in the future as we see rice, I would mention that the 1938 act was designed to cope with the problems of serious surplus. It dealt with those problems by restricting production, and we have continued to limit the number of people, in a sense, and the number of acres that can grow rice. Secondly, by basing support for those growers on a parity concept, of course. And then, by frequently using concessional programs, primarily Public Law 480, to dispose of production which was above that which was utilized in this country and above our hard currency or commercial exports, almost always supported by subsidy.

But now the situation has changed. In the last 2 years we have had a tremendous overturn in the world markets. An unbelievable thing. We are trying to grow our company, we got into other businesses because we saw the rice business in this country contracting or growing minimally by our standards. We saw some aspects in trouble. All of a sudden we are in a glamour business. I mean, Wall Street treats it that way in analyzing world markets. The United States grew 1.4 percent last year of the world's rice, and yet we exported approximately 30 percent.

Therefore, the U.S. has tremendous potential markets in which to sell much more rice than ever before, and without government subsidy. The exporters that we compete against are countries with tremendously increasing populations and the large importing countries have large populations which are increasing, and it, export capability, fluctuates back and forth with the supply of rice. Available world supplies do not generally compare favorably with our quality of rice. So what we are talking about is a kind of competition that does not always predicate itself strictly on price. However, it is a very important point, in terms of new legislation, that at whatever price we support rice growing in this country by our programs, that support must maintain some reasonable degree of competition with foreign rice.

Suffice it to say, that companies like ours are not getting any protection from the Government. In order to meet the demands of these new markets, we are going to have to make tremendous investments ourselves in all sorts of facilities, in all sorts of equipment and in marketing expenses, front end.

Senator DOLE. Are these dollar markets?

Mr. HALBACH. Absolutely, sir.

I guess Riviana has no Public Law 480 business so far as I know. We do not try to get it. We are not big traders. That is not our business. I am talking strictly dollar or hard currency markets, tremendous in the petro-dollar markets. They do use a lot of rice there. It is not just something new. They have just got a lot more money now. We used to "give" rice to some of those countries. They use it to feed their people better, but there are also other hard currency markets. We see tremendous demand. It is just a matter of being able to have the rice and get in and crack those markets.

We are going to do it as an organization, whether we build the rice mills and facilities here, or expand our mills in Africa, build them on the continent or other places in the world. We or someone will do it

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here or over there. Even though it is more expensive to buy and process rice in the United States, we have other saving features that can help make us much more competitive.

So what we need and what our company is after, which brings me to my main point: We need open production. We need rice. That must sound strange to hear me say when you have heard most others here today talk about their concern for a glut of rice, my word, but overproduction and large carryovers. I would like to tell the committee, Mr. Chairman, that it is the opinion of our company that we will not have an adequate carryover this year, and that assumes Public Law 480 at its present rate.

If we had to make a guess at what Public Law 480 would be this year, it would be about 750,000 tons, probably not the million tons. We would not have the rice at the price we need, and rice is quite high priced, only 1 year higher in history.

Senator DOLE. You mean you want a big carryover to depress farm prices? Is that what you are saying?

Mr. HALBACH. Absolutely not. It would not be healthy for us. We want an adequate carryover, to have rice to keep in our mills and "pipelines". You see, since we mill and package and ship——

Senator DOLE. Everytime someone tells me they want an adequate carryover to stabilize prices, that means the farmer is going to get lower prices.

Mr. HALBACH. Absolutely. And, I did not say that. I agree. "Adequate carryover to stabilize prices" is a euphemism for that. And I did not say it. We have to have adequate rice supplies on hand to be able to package, to ship it——

Senator DOLE. But there is 11 million hundredweight carryover now, projected.

Mr. HALBACH. That is what I am saying, sir, there will not be that carryover. We do not think there will be that carryover.

Senator LEAHY. You do not think it would be there?

Mr. HALBACH. No, sir.

Senator LEAHY. Do you think there will be any carryover then?

Mr. HALBACH. There always has to be some carryover because it is in the pipeline, 5 to 7 million hundredweight.

Senator DOLE. That is plenty, is it not?

Mr. HALBACH. No, that is not enough.

Senator DOLE. It does not keep the price down enough?

Mr. HALBACH. Unrelated to price, unrelated to price. If you had a huge carryover, I would think that would be quite a depressant on the market on prices, which is not what we are asking for. A shortage of rice—that is, inadqeuate carryover can result in too high prices, however.

Senator LEAHY. Is 11 million a huge carryover?

Mr. HALBACH. No, but we would be satisfied with 11 million. We would be satisfied with what the growers and the Members of Congress representing them are saying and the Department talks about it too, 10 million. We would be satisfied. We know ourselves that we will be carrying much more than we did in previous years. Carryover talks about not just rice that the farmers hold, but things that are in our elevator, that are in our mills, that are in our packages, that are in our warehouses, that is all part of carryover.

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Senator DOLE. Well, if the carryover were less, would it change your buying practices?

Mr. HALBACH. Yes. The price would go up considerably.

Senator DOLE. In other words, you would buy it—you would have to hold it instead of the Government.

Mr. HALBACH. Sir, I am sorry, I do not quite get the point of that question.

Senator DOLE. If you knew there was going to be a scarcity of rice, I assume you would run out and buy some, but if the Government is going to have a lot of it hanging around, if it is going to be around somewhere, you do not have that pressure.

Mr. HALBACH. I think that could be true, under some circumstances, but that is not what I am talking about. What I am saying is there would not be enough rice, and likely this year there might not be enough rice for us to go out and buy it for commercial purposes without us driving the price up considerably, which would then mean that we could not buy it because the prices we can sell it for would not compensate us for it. Scarcity places limits on what you buy and sell.

I think it would be very wrong. That would be bad for everybody in the industry, growers included. That brings up another one of the earmarks a good new program should have, I should think, and very difficult one to design. That, as we increase this rice business, production and marketing, which we have the potential for, that we do not have a system where, unless there are unusual production problems and deficiencies in other places in the world, that we do not have a glut of rice. That is not healthy for our industry. That is not healthy for a company like ours. It just is not healthy at all, for anyone. Therefore, the legislation can't encourage production at a price or in quantities that can't be handled.

And we, because of ability to handle rice from the grower right on through in our economic system in this country, we know we can have a larger and increasing rice business with consumers getting a good deal and with growers and everybody in the middle getting a good deal, and still be quite competitive in world markets. It is a very unusual situation. And that is why the earmarks I think are four that a new program must have.

First of all, in our own opinion, in order to get the rice we need at a good price, which means that the price is competitive but where everybody in the system makes a good profit and also the consumer pays a fair price for it, we must have open production in this country.

Second, that rice production should have supports for all the people who want to grow it, but at a price that is below that which would price us out of world markets, but, also, which is at least enough to protect all those who are growing rice from serious problems of disallocation, extra supply, or anything else not within their control, notwithstanding our increased capacity to utilize it. Somewhere around cost of production would be okay, but that also depends upon how you figure cost of production and who is figuring it.

In other words, we should not "compensate" them at the level which provides also for a good profit. I think that would induce people to produce for support, and that would eventually create the very problem we are trying to avoid.

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But on the other hand, our company, who buys rice differently, I might say, than almost every other company, we buy much of our rice through our buyers out in the field right from the growers. We want growers to make a good profit. We know how important that is to them and us. That is what has helped make our company, the high quality rice that we can put out on the table in this country. I can assure you what we are looking for. We want those guys to make a profit because that will insure they will keep growing rice for us.

The second thing is price supports, and as I indicated, they should be available for all growers. That does not say you might not distinguish in one or more of several various ways between existing producers and new producers. Something that sometimes is lost sight of by many who have similar viewpoints generally with mine is that there are some large stakes attained by the present growers under the public policy of the United States for many, many years, and I think to overturn the system where they have tremendous risks with all that investment right now should be given serious consideration, and there ought to be a way to phase those programs out and not have too stringent limitations on present growers, nor artificially faster their competition.

And therefore, the third point that I want to make is that I think the program needs to be a longer one. We need to work together to to have a longer experience to develop the industry as well as to give any program a chance to work. Two years is not enough, you heard Clyde Carter say. It takes time. It also takes us time to work the system out.

And lastly, the consumer must be considered in this, and I notice there are no consumer voices here today.

Senator DOLE. We had two new growers. I mean, I can understand your interest in new growers, but we really have not heard from a lot of the new growers. So I guess we are going to get some information on where they are and what the impact of the new grower production is and how many acres.

I do not mean to quarrel with you on the statement. There has to be a balance there somewhere. You cannot have the farmer getting some price that is out of sight. He would not be in business. He would not be getting the price. So it is a tough question.

Mr. HALBACH. By the way, statements were submitted in previous days' hearings by some potential new growers that many people that are cotton farmers have not been able to grow rice because it is limited to those who historically have had acreage, and those cotton growers very much want to get into rice production. Much of their land is very good. That is one of the things that would be a very good result. The increased production in this country which will help us in exports, will mostly be placed on more efficient land because the cost of land will be less, and especially the cost of water in some areas will be less, so that the new production should not be cast increasing. Farmers who cannot do well on other crops can on rice.

They might not need the same price support level as the current growers.

Senator DOLE. Well, if we have that, whether it is 10 million or 11 million hundredweight carryover, and we open it up as you indicate, what do you project the carryover would be in a few years?

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Mr. HALBACH. There are so many unknowns in that, Senator, I just do not know. We think that there will not be carryovers so large that it will hurt anyone in the industry.

Senator DOLE. What would you think would be a reasonable carryover.

Mr. HALBACH. We've been trying to estimate that ourselves to be able to give some insights into it. I do not know for sure now. I think probably somewhere, depending on how fast we grow, the international markets, somewhere between 10 million and 15 million hundredweight additional carryover, as a minimum.

But there are years we could and should hold more. There definitely are years when we could hold more. Right now, for example, we are unable to contract on a 5-year basis. We have had people come to us, major buyers, for more rice than we ever sold in our existence, and ask us how about making a deal for quality rice on a 5-year basis. Unbelievable quantities of rice. We cannot do it because we do not know the price. We do not know if we'll have the supplies. But if we had those kinds of deals, our pipelines would have to be much fuller. There would have to be bigger storage and other facilities. The Government should not hold it, though.

Senator LEAHY. The Government should not?

Mr. HALBACH. No, especially CCC because, leaving aside the question of a need for a grain reserve to feed the world's hungry or in cases of short falls or severe shortages in this country, the program might require it—a reserve—for that purpose, and I am not addressing that, but aside from that by the government—the people who are in the industry, not the growers—should bear the cost. That is a burden to have to hold, unless they want to hold it for speculation. The people who are frequently referred to as the middlemen, they should hold it. It should be in the cost of our product. We can do it more efficiently, more effectively. We know the markets, we know where the demand is. We should hold it. The Government, CCC, should not hold it, especially if it comes from induced overproduction.

Senator DOLE. Thank you.

Senator LEAHY. Senator, do you have anything else?

Senator DOLE. No, thank you.

Senator LEAHY. I will recess the hearings and hold the record open for a week for filing statements.

[Whereupon, at 3:06 p.m., the committee adjourned, subject to call of the Chair.]

ADDITIONAL STATEMENTS FOR THE RECORD

STATEMENT OF HON. J. BENNETT JOHNSTON, A U.S. SENATOR FROM THE STATE OF LOUISIANA

I think that it is very important that the Senate Agriculture Committee has recently held extensive hearings on our American farm programs. The plight of our Louisiana farmer has become critical. Too many farmers in Louisiana are today not able to make a fair return on their investments in land, equipment, and supplies. The prices of farm crops have not kept pace with the costs that our farmers have had to pay for inputs. It is clear to me that we need a modified program that will provide a price to all our farmers which represents the costs of production.

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I would like to request that this statement, together with several other items, included in the record of your recent hearings. First, I have enclosed a petition from the Louisiana farm community. This petition came to my office with some 400 signatures that were obtained in only seven hours of circulation. Moreover, our Governor, Edwin Edwards, has written me to reiterate the points that are made in this petition. Second, I am enclosing a copy of House Concurrent Resolution No. 46 from the most recent session of the Louisiana State legislature. This resolution suggests several specific actions that might assist in the relief that our farmers need. Third, I am enclosing a letter that I recently sent to Secretary of Agriculture Earl Butz relating to administrative changes that we we need today in our cotton programs.

In addition to working closely with our cotton farmers, I have had the opportunity for extensive contact with rice growers and cattlemen in Louisiana. As you know, our Louisiana rice growers have testified before your committee. I believe that our rice growers have been responsible and articulate spokesmen in explaining why the present rice program is essentially sound. However, in recognizing that the present administration favors a modified kind of program, Louisiana rice growers have been willing to strike a compromise. If the problems with our cotton program during the last year are symptomatic of general difficulties with a target price concept, then it is clear that we should retain the present rice program which is not based on the target price model.

Finally, we need a program to stabilize our cattle markets. I have heard contradictory assertions about the problems of the cattleman selling his livestock for a sufficient price to cover his seemingly ever-increasing costs. We must recognize that depressed price levels for beef (as with other products) are not the solution to any of our problems. Depressed prices will force men and women who have built their lives in farming to abandon their land as a means of making a living. And when that happens, we will have less food in our country. Certainly in a time of world-wide food shortage, we need agricultural programs that will encourage production, and we can only do that when our farmers can be successful and profitable businessmen.

I am certain that the Senate Agriculture Committee will modify our present farm programs so that we can continue to be the greatest food-producing country in the world, and so that our farmers can earn a price on crops that will reflect their costs.

PETITION

The farmers are in dire need of relief from a situation over which they have no control. We know that hindsight is better by far than foresight; however, we will have to hold ourselves directly responsible for what the future will hold for American agriculture if we fail to heed the lesson involved in the present state that the United States and the entire world is in because of energy production. This was due to foreign monopolization of energy production and control. All of us agree that we must become self-sufficient in producing our own energy in the near future or face complete economic disaster. This in part is why we are urging your support and assistance at this point in time for the rescue of American agriculture. Without government assistance, massive bankruptcies will be the only solution for a great percentage of the nation's agricultural and agriculturally-related industries. Foreign investors already have purchased substantial amounts of agricultural lands, and are steadily recruiting more real estate agents to check their area for large acreages which might be available for them to purchase. This fact alone should dramatize to the non-agricultural businessman, white-collar worker, blue-collar worker, or any other person regardless of his opinions, political ties, beliefs, etc., that now the time is past for talk of what should have been done, etc. We must unite in an effort—a successful effort—to keep food and fiber products under American control at any price. Energy control is bad enough, but food and fiber control is absolute lunacy! This is the purpose and intent of this letter to emphasize and prove the fact that if some assistance doesn't become a reality soon, then we will bear the consequences of still another encroachment by foreign countries into the American economy.

In an effort to make available to you the true picture faced by agriculture producers in Louisiana, as well as on the national level, this summary along with some suggestions is based on current statistics garnered from research along with extensive surveys and actual producer records broken down to per acre costs based on loan and marketing prices offered or prevailing now for the 1974 cotton crop.

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The planning of crops to be planted in 1975 cannot be made until we resolve the 1974 economic chaos.

We must have assistance in disposing of the 1974 cotton now being held by about 65% of the farmers. Also, if we plant the 1975 crop, some realistic parity base must be established. To produce an average 475 pound lint bale in 1974 cost approximately $231.00 an acre. The target price for the 1974 domestic allotment was $.38 per pound. However, this is misleading as the law states if the average price of cotton in the United States doesn't fall below $.38 per pound, the producer will not receive any payment. The 1974 market for cotton averaged a little above $.38 per pound for the first five months in 1974. In fact, producers possibly could have contracted the 1974 crop at this point in time. However, no astute businessman would have done so. Production costs at this time escalated to such an extent that you couldn't economically survive at the average booking price of $.40–.44 per pound. For example, it costs $231.00 per acre to produce 475 lint pounds in 1974. So, $.44×475=$209.00—a direct loss of $22.00 per acre! We have referred only to actual production costs. This does not include living expenses—food, housing, clothing, etc. The loss per acre is based only on production costs. The farmer's living expenses are in addition to this cost. The illustration above means that the producer is actually faced with economic suicide.

Now, take in consideration the prices which were actually offered to producers who were forced into selling by demanding creditors. These prices averaged $.3610 per pound or $.3610×475=$171.47—a direct loss of $59.53 per acre. We have used the $.3610 price in the above illustration as an average. However, many producers due to quality or other prevailing factors have sold as low as $.30 per pound or $.30×475=$142.50—a direct loss of $88.50 per acre. As it now stands, producers are at the mercy of speculators, market manipulators, and other power sources. The only alternative producers have left open to them is the Commodity Credit Corporation, if you can take the low price offered by CCC. After averaging grade quality, mike, etc., the average loan rate is $.2450 per pound or $.2450×475=$116.37—a direct loss of $114.63. Please keep in mind if the market price rises and the producer redeems this cotton from CCC, the interest rate is 9.375% plus storage and other costs. This ultimately costs the producer almost $.03 per pound. The interest rate could advance by April 1. We think it is evident under existing conditions coupled with the fact that a large percentage of producers planted the 1974 crop carrying over debts that they had been unable to pay because of prices received from the 1972 and 1973 crops that the farmer needs assistance.

The 1973 cotton crop will probably go down in history as the year more cotton farmers were legally robbed than any other prior year. Approximately 70–75% of the 1973 cotton crop was booked by farmers in early '73 from around $.2850 per pound to $.3250 per pound. After these contracts were signed, the cotton market advanced to better than $.80 per pound by late October and early November. 70–75% of the cotton producers received no benefit from this market increase. Alas, once again this profit went to speculators and manipulators. However, the stage was set in late 1973 to entice the cotton producers to go all out in 1974 and plant additional acres as the world's food and fiber needs were dependent upon the United States producers. Producers responded to this urging as they always have responded in the past. They did plant more cotton; however, weather conditions and other factors beyond their control caused the actual cotton production to fall short of the goal by better than 2.5 million bales. This should have been conducive to an advance in the market, but as illustrated above the market continued to plunge. All of the above—production costs, prices received, prices now available—are factual. Below is our plea. At the present time, synthetic mills are paying approximately $.50 per pound for man-made fibers while cotton is approximately $.335 per pound. Remarks have been made to the effect by some synthetic textile mills representatives that cotton is being used to keep the man-made fiber industry honest. We do not feel that the cotton and food producers of our nation should be further subjected to this misuse and manipulation. Our country is already overburdened with energy problems, short supply of important materials, etc.

The nation's consumer is already under a heavy burden—fuel costs, automobile costs, food costs, etc. We feel that the consumer should not be subjected to the use of energy for man-made fibers when there is an abundance of available natural fibers.

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Of course, to some the situation presented in this letter may not seem of great import. But the United States was built upon an agricultural economy. The American farmer has long been the backbone of our great nation. However, this same farmer is now in dire financial trouble, because he:

(1) Cannot sell his 1974 crop.
(2) Cannot repay his loans.
(3) Cannot draw unemployment benefits.
(4) Cannot plan on planting a 1975 crop.
(5) Cannot pay his current monthly bills.
(6) Cannot continue to survive.

In addition, let us point out that the farmer has *no* income at this time, since his 1974 cotton crop is presently stored in warehouses and accumulating storage costs, etc., thereby continuing to decrease its potential value. There have been many bleak times in the American farmer's past, but he always had another promising crop to look forward to—now, that is not the prospect facing the farmer. When farmers are ultimately faced with bankruptcy, many other areas will be affected. For example, in the Monroe trade area statistics show that from 65–67% of the entire trade dollar is based on agriculture. In fact, if agriculture falls—so falls the economy.

For the farmer who has supplemented his income (or for that matter based his entire income) on livestock, need we point out the prices involved there today? In 1973, cattlemen were urged to increase their herds, with the stipulation that beef on the hoof would probably never go below $.60 per pound. Today, the beef industry is also on the brink of disaster. As recently as one year ago, cotton producers were encouraged to produce abundant crops with the pseudo-promise of not less than $.60 market price per pound. As a result of this projection, the businesses which supply the cotton producer—fertilizer, insecticides, fuel, equipment—doubled and tripled their prices to the farmer. Today, these same people cannot receive their money. The 1974 crop lays unsold. In 1975, information is being presented to the farmer that soybean production is the way to go. In view of the prior failures connected with the cotton market and the beef industry, farmers are naturally and wisely wary of increased soybean acreage. There is already a downward trend in the grain market. In addition, the cotton belt is not equipped to handle large soybean production, e.g., machines, storage, etc. In truth, unless he can sell his 1974 cotton crop at prices which will eliminate outstanding debts, he will not be able to even plant his standard acreage. Large areas of our state have been declared disaster areas. However, a very small percentage of farmers will be helped due to the high collateral and assets necessary to secure this aid. This places it out of reach of most farmers. The average farmer has outstanding first mortgages which would eliminate him from receiving this aid.

We submit the following recommendations to remedy existing conditions and preserve the American way of life. We submit to you that our opinions are of course no more valid than many other people's opinions, but they are based upon innumerable hours of painstaking, exhausting research.

In order to economically survive, we believe we should seek legislation which would involve the following:

(1) A support-parity or loan escalation to a minimum of $.50 per pound for 1$\frac{1}{16}$ inch strict-low-middling for the 1974 entire cotton acreage.

(2) Loan price of minimum $.60 per pound for 1$\frac{1}{16}$ inch strict-low-middling for the 1975 crop.

(3) More liberal collateral requirements for disaster area loans in order to pay off existing commitments with long-term repayment.

(4) Limit or stop the use of synthetics in textile manufacturing to conserve energy and to boost the use of natural fibers.

(5) Improve textile market for natural fibers; limit or stop the importation of finished or semi-finished textile products.

(6) Limit or stop exportation of fertilizer and chemicals if this escalates production costs to U.S. producers in 1975.

(7) To possibly improve the current market for sale of 1974 cotton, please impress upon the Secretary of Agriculture to immediately use his authoritative power to set higher support rate for 1975 cotton loans.

These recommendations are not intended to reflect negatively on any of the current efforts being made to aid the farmer. They are solely submitted to offer additional information and suggestions which would help alleviate the current crisis facing the farmer and hence the nation.

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Let us re-emphasize—the farmer must have *immediate* help. We have not described an hypothetical situation. This is not an overly dramatic appeal. There is a great need for urgent help. We, the undersigned, respectfully submit this letter to call your attention to our plight, and to impress upon you the severity and the urgency of our condition.

House Concurrent Resolution No. 46

By Messrs. Womack, Humphries, Accardo, Alario, Bigby, Booker, Charbonnet, Connor, Crisler, D'Gerolamo, Dischler, Doucet, Dupuis, Dyer, Folkes, Fowler, Gibbs, J. Guidry, Gunter, Hebert, A. Jackson, John, M. J. Laborde, R. J. Laborde, Long, Mills, Morrison, Randolph, Rice, Robillard, Sheridan, Simon, Stephenson, Strain, F. C. Thompson, R. S. Thompson, Toca and Ullo and Mrs. Taylor and Senators Foshee and J. H. Brown

A CONCURRENT RESOLUTION **Relative to the economic plight and disaster experienced by and facing the cotton-producing sectors of the farming and agricultural industry in the state of Louisiana and the United States**

Whereas virtually every sector of the farming and agricultural industry in this state and the United States is experiencing economic woes; and

Whereas the cotton-producing sectors particularly have been burdened and are faced with economic plight and disaster; and

Whereas due to the escalation of the costs of cotton production to astronomical heights coupled with declining prices, both of which have occurred because of factors outside of the control of the cotton producers, cotton producers are faced with economic ruin and must have immediate, positive assistance; and

Whereas in many areas of this state and the United States, over half of the 1974 cotton crop has not yet been disposed of due to these rising costs and declining prices; and

Whereas since this crop has not yet been sold, many of the cotton producers are without income; and

Whereas due to circumstances beyond the control of cotton producers resulting in this dilemma of high costs and low prices faced by the cotton farmers, said cotton producers are unable to sell their 1974 crop without taking a substantial loss, unable to repay loans, unable to plan for a 1975 crop and unable to pay their monthly living expenses; and

Whereas because of the economic situation of many cotton producers, there exists the threat of foreign control of cotton production which could compare with the foreign control of much of the oil and gas production; and

Whereas the oil and gas reserves available in this country are being used by synthetic fiber producers and are thus being depleted when available fiber from cotton would be more economical to the citizens of the United States and of more benefit to cotton producers, therefore, be it:

Resolved by the House of Representatives of the Legislature of Louisiana, the Senate thereof concurring, That the Congress of the United States and the executive branch of federal government are hereby memorialized to take whatever steps may be necessary to implement the following: (1) a target price or loan escalation to a minimum of fifty cents per pound for one and one-sixteenth inch strict-low-middling for the entire 1974 cotton acreage; (2) a loan price of a minimum of sixty cents per pound for one and one-sixteenth inch strict-low-middling for the 1975 cotton crop; and (3) more liberal collateral requirements for loans in order to pay off existing commitments with long-term repayment; and to seriously consider limitations on the following: (1) use of synthetics in textile manufacturing so as to conserve energy use and to boost the use of natural fibers; (2) on the importation of finished and semi-finished textile products so as to further improve the textile market for natural fibers; and (3) on the exportation of fertilizers and chemicals needed for production if such exports escalate production costs, be it further.

Resolved, That the secretary of agriculture is hereby memorialized to immediately utilize his authority to establish higher support rates for 1975 cotton loans, be it further

Resolved, That Congress and the executive branch of federal government are further memorialized to take whatever additional steps may be necessary to remedy the economic plight and disaster experienced by and facing the cotton producing sector of the farming and agricultural industry, be it further

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Resolved, That the state legislatures of the chief cotton-producing states are memorialized to take appropriate action to insure that the will of their respective legislatures with respect to the plight of the cotton producer be made known to Congress and to the executive branch of federal government, be it further

Resolved, That copies of this Resolution be transmitted to each member of the Louisiana Congressional delegation; to United States Senator Herman Talmadge, chairman of the Senate Committee on Agriculture and Forestry; to United States Representative Thomas Foley, chairman of the House Committee on Agriculture; to President Gerald Ford; to Secretary of Agriculture Earl Butz and to the presiding officers of each house of the state legislatures of the states of Arkansas, California, Alabama, Arizona, Mississippi, Texas, Tennessee, Missouri, Oklahoma, New Mexico, Georgia, and South Carolina.

E. L. HENRY.
Speaker of the House of Representatives.
JAMES E. FITZMORRIS, Jr.
Lieutenant Governor and President of the Senate.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., February 5, 1975.

Hon. EARL L. BUTZ,
Secretary, Department of Agriculture,
WASHINGTON, D.C.

DEAR MR. SECRETARY: In recent weeks I have had an opportunity to meet with a number of our Louisiana Cotton Growers, and I have also had a chance to attend the annual meeting of Louisiana Cotton Producers Association. After talking with these responsible and outstanding citizens of the State of Louisiana, I am deeply convinced that there are significant problems with our existing cotton programs and that we must do all in our power to relieve the unfair burden that has been placed on the shoulders of cotton growers. I am quite sure that the burden is shouldered not only by the growers in my state but in many other states of the country.

While I recognize that existing cotton legislation is reasonably specific, I nevertheless understand that there are certain flexibilities that you and your department have in administering the existing programs. Therefore I would like to make three specific requests:

1. I urge that the 1975 loan rate on cotton be recomputed. It is my understanding that this loan rate is based on the three year average world price of a certain type of cotton. In 1974, the World average was obtained by your department by averaging the prices at Liverpool, England; Bremen, Germany; and Osaka, Japan; adjusted for transportation cost to these ports and further adjusted for quality. Certainly such a broad definition in the legislation would offer you and your department an opportunity to select different cities which might result in a loan rate more favorable to our American cotton growers. As a minimum, I would like to know why the present calculation is the accurate one as compared to other calculations that might yield a higher loan figure.

2. It is my understanding that the existing rate on Commodity Credit Corporation loans is 9.375%. It makes little sense to me that our Commodity Credit Corporation, which is designed in large part to stabilize agricultural markets and to work to the aid of our American farmers, should impose an interest rate as high as this. I would urge that your department lower the interest rate, preferably to a level of about 5½%.

3. I believe it is quite important for the Department of Agriculture to announce at this time a final loan rate for next year's crop instead of a preliminary rate. It has come to my attention, as I am sure you can understand, that lending institutions are reluctant to make crop loans based on a preliminary rate since the final rate could be lower. Therefore, by announcing only a preliminary rate at this time, you force American cotton growers to go to lending institutions in a much weaker position than they would be if a final rate had been announced.

The situation in Louisiana for our cotton growers now seems to be critical. It is clear to me that the cost of raising a crop of cotton has far exceeded both the market prices as well as the support levels made available by our national cotton programs. If this situation persists, then it is inevitable that many of our cotton growers will either be faced with the choice of changing to different crops, or perhaps leaving farming altogether. If either of these things happened, it would be a disservice to the American consumer, and the country as a whole.

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I therefore hope that you will carefully consider the specific recommendations that I have made, and that you will let me know within the next few days what the likelihood of implementing any of these proposals is. If you think that a personal discussion of these points would be valuable, then I will welcome the opportunity to sit down with you and discuss each of these things in greater detail.

With best regards, I am,

Sincerely,

J. BENNETT JOHNSTON,
U.S. Senator.

STATEMENT OF HON. SHIRLEY CHISHOLM, REPRESENTATIVE IN CONGRESS FROM THE 12TH CONGRESSIONAL DISTRICT OF NEW YORK

It is my understanding that there has been a great deal of discussion at these hearings about alleged abuses of the food stamp program by young college students and strikers. It is not my purpose today to argue the pros and cons of these issues but rather to point out that the vast majority of the 15 million food stamp recipients are either elderly or members of single parent families.

Over 27% of the recipients are elderly and according to a survey published by the subcommittee on fiscal policy of the joint economic committee 70% of the black participants and 60% of the white participants were from female headed households. Clearly the typical food stamp recipient is not some middle class college student ripping the Government off for $46 a month but the old lady in the frayed felt hat and lumpy coat who stood behind you at the check out counter or that runny nosed kid with dirty wet sneakers you saw standing in the snow at the bus stop.

These are among our poorest citizens and these are the people who will be hurt most by the proposed changes in the food stamp regulations.

Under the current sliding scale of purchase requirements the average family participating in the program pays 23% of its income to purchase food stamps. But this is only an average. The sliding scale takes into account both income and family size thus a one person household with an income of $29 a month must pay 3% of its income for food stamps while a one person household with an income of $209 a month would pay 17% of its income. Similarly for four person households the percentages of income range from 0% for incomes of $29 a month to 24% for incomes under $539 a month.

Although many have tried to characterize the food stamp program as a freebie operation, in point of fact, only 4.1% of current recipients pay nothing for their food stamps. As noted above a family of 4 must have an income under $30 a month in order to receive free food stamps. That can hardly be classified as a giveaway program.

When one combines the 4.1% of the recipients who pay nothing for their food stamps and the .0296% of the recipients who currently pay the maximum rate of 30% for their food stamp we see that 95.87% of all recipients would be affected by the newly proposed regulations.

If the administration's recommendation of a flat 30% rate for all recipients is adopted those with the lowest incomes and smallest households will have the largest increases. Let me illustrate. The table below projects the: Average purchase requirement as a percentage of income for various households under the current sliding scale:

Persons in household:	*Percent*	Persons in household:	*Percent*
1	14.3	5	24.6
2	20.0	6	25.7
3	21.9	7	25.7
4	23.7	8	26.4

The imposition of the 30% maximum purchase requirement for all households is regressive since it means that the fewer persons in the household and the less income the household has, the greater the percentage increase will be. See table below. The second chart projects this: percentage increases for various households if the 30% rule is adopted:

Persons in household:	*Percent*	Persons in household:	*Percent*
1	49 to 770	5	8 to 134
2	23 to 770	6	6 to 134
3	12 to 193	7	5 to 134
4	10 to 193	8	4 to 134

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Since over 27% of the current recipients are elderly and most of these are living in one or two person households they are among the groups most seriously affected. Our senior citizens live on fixed incomes and as the recent television interviews and exposés of the problems of the elderly have pointed out they have already cut back their food budgets so severely that they are buying dog food. Since some have already had to "spend down" to the most economical food budgets this increase in food stamp costs must come out of their budget for other necessary living expenses or force them out of the program altogether to face virtual starvation.

In terms of numbers of recipients the group which would be most affected by the proposed increase are female headed households. According to a survey published by the subcommittee on fiscal policy of the Joint Economic Committee (2) 70% of the black participants and 60% of the white participants in the food stamp program were from female headed households.

These women are among those most seriously affected by the recession. Even if they manage to have and keep a job they are at the bottom of the pay scale and face the total burden of child care and home-making work. They cannot "spend down" because they are at the bottom of the income scale. They cannot supplement their incomes with better or even part-time jobs because there is no work for them

As a black woman I am acutely aware of the problems of the single parent family because a very large proportion of our minority families are female headed.

For those gentlemen who may not have viewed this problem from this perspective let me share a few startling statistics with you:

In the decade between 1960 and 1970 there was a 60% increase in the one-parent family.

In the last 13 years (1960–1970) female headed single parent families increased from 1.9 million to 3.9 million.

42% of all poor families are headed by women.

In black families 34% are headed by women but 65% of *poor* black families are headed by women.

Among Puerto Ricans, 24% of all families are female headed but 48% of all *poor* Puerto Rican families have females as their heads.

9.5% of Chicano families are female headed but 64% of *poor* Chicano families are female headed.

From 1970–1973, or in only three years, the number of female headed families with children under 18 increased by 30%.

As you can see the single parent family is a large and burgeoning phenomenon. Most of these women have no alternative but public assistance. But even if a woman is lucky enough to find a job the pay will be low. And women's lib to the contrary it is getting lower. In 1972 the median income for female headed families was only 48% of what it was for all families. What's more, the median income for such families *declined* from 1969 to 1972.

Further the Department of Labor statistics on unemployment which were released on October 4, 1974 indicate that the largest increase in unemployment took place among women over 25.

I do not see food stamps as the final solution for these families. We shall have to initiate massive job development and job training programs and greatly expand our child care services if these women are to make it off the welfare rolls, but until we can get the economy moving again we are going to have to have an expanded food stamp program.

To suggest that this is an appropriate time to restrict and curtail the food stamp program is not only cruel and irrational but contrary to Congressional intent.

U.S. District Court Judge Miles Lord of Minneapolis made just that point last October when he ruled that Secretary Butz had violated the law by failing to implement the "outreach" requirement for the development of a program to inform low income families of their rights to food relief. Secretary Butz had attempted to turn the $278 million dollar food stamp budget surplus for FY 1973 over to the U.S. Treasury. The judge ordered him to spend the money on outreach programs.

We are now faced with an unemployment rate of 8.1%. This is coupled with an inflation rate which the administration projects will be 11% for 1975. And the outlook for next year does not look much better. The ALF–CIO has predicted that we will reach an unemployment rate of 10% by this summer and even optimists do not believe inflation will come under 7% in the next year. In the face

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of this we ought to be planning, not for a restriction of the food stamp program but for an expansion.

Further, Secretary Butz's claim that the food stamp budget has grown too rapidly is not supportable. Agriculture Department spokespersons point to the increase from $2.2 billion in FY 1973 to $4 billion in FY 1975, but what they neatly neglect to mention is that the $2.2 billion dollar figure does not include the cost of the food commodity program for that year while the $4 billion dollar figure for 1975 does include that cost.

As of December 1971, 14.9 million persons participated in either the food stamp or food commodity program. In September 1974 the number of participants in both programs was 15 million. The 15 million participants represent substantially less than half of the 37 to 50 million persons estimated to be eligible for the program. The contention that the food stamp program is "out of control" must be read against these figures and must be rejected as an utterly spacious and cruel attempt at statistic juggling.

Our first priority has been to prevent the adoption of the flat 30% rate increase but there are other serious problems with the food stamp program.

First it must be recognized that the "Economy Food Plan" upon which current food stamp allowances is based is nutritionally inadequate. Medical experts and nutritionists within the USDA itself have termed the economy food plan as nutritionally unsound over anything but short periods of time.

USDA's last food consumption survey, conducted in 1965–66, showed that only 10% of the families studied, who were spending at the level of the economy food plan were obtaining an adequate diet which is defined as 100% of the recommended daily allowance of seven basic nutrients. The survey also found that less than 50% of the families studied who were spending at this level were getting even ⅔ of the RDA's of these nutrients.

This study was conducted in 1965–66, that is ten years ago. The nutritional inadequacy of the economy food plan has undoubtably been compounded by impact of inflation on food budgets of the poor.

We all worry about food prices but there is a difference between worrying about the price of meat and not eating at all. Inflation has had a far greater impact upon the cheaper foods purchased by the poor than the diet of the middle class.

For example, from December 1970 to March 1974 sirloin steak increased by 38.9% but frankfurters increased by 50.9%, butter went up 8.9% but margarine increased in price by 63%. Two staples of the poor persons diet rose astronomically, a 256.3% rise for dried beans and a 124.3% increase in the price of rice.

Listed below is a selection of other poor peoples staples indicating the consumer price index increases from August 1973 to August 1974.

Bureau of Labor Statistics

	Percent		Percent
Bean soup, canned	52. 7	Chicken soup	26. 0
Bread, white	27. 3	Spaghetti, canned	23. 1
Corn flakes	27. 3	Milk, fresh, skim	22. 0
Coffee, instant	24. 7		

Food stamp allotments are revised twice yearly in order to reflect changes in the cost of living. As of August 1974, the cost of the economy food plan was $153.00 for a four person household with two school age children. In January of this year the USDA announced that allotments for four person households would go up from $150.00 to $154.00 per month. Unfortunately, the cost of the food plan had already risen to $155.10 per month by September of 1974 in October it was $156.00 a month and by November it had risen to $157.20 a month. Four months before the increase went into effect, it was too small to reflect the increase in the cost of living!

Food prices have been rising faster than food stamp benefits at least since 1970. Over the period of December 1970 to March 1974 food stamp benefits increased 34% while the cost of food for the economy plan rose 41.7% for the same period.

We can clearly see the fierce impact which inflation has had upon the food budgets of the poor. It is also clear that the majority of the 15 million food stamp recipients whom I repeat are overwhelmingly elderly and female headed households, are not going to get off food stamps in a hurry. If we do not increase the basic food stamp grant we are condemning those 15 million citizens to a permanently inadequate diet and we are doing it in the name of "charity".

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The Senate Select Committee on Nutrition and Human Needs has recommended that food stamp allotments be based on USDA's "Low Cost Food Plan" rather than the minimum "Economy Food Plan". It further recommends that families with a net income of less than $100.00 a month receive food stamps free, and that the maximum purchase price requirement be reduced from 30% to 20% of adjusted income. I am in complete support of these recommendations and I believe the necessity for taking action on them is equally as important as our action in voting down the 30% rate.

Secretary Butz in his testimony before your committee indicated that he considered the food stamp program welfare and would like to see it transferred out of his department. Perhaps we ought to take him up on this. We might consider transferring the program to an agency which has a greater commitment to outreach functions. As long as this economy remains in a downward slide we shall have to expand not reduce our food stamp programs.

Our hearts have gone out to the starving citizens of Bangladesh, the victims of drought in Africa and most recently to hungry refugees in Cambodia. We should be aware that we have hungry and helpless citizens within our own borders. The outlook is bleak, we had better start dealing with our own problems before we become engulfed by them.

Statement of Frank Rodio, Jr., Hammonton, N.J.

Mr. Chairman and distinguished members of the United States Senate Committee on Agriculture and Forestry, the future of United States and New Jersey agriculture remains bright in spite of double-digit inflation, recession, stagflation and high unemployment. However, one not so very bright spot looms over the not too distant horizon for agriculture, namely, the demise of the "family farm" and the corresponding rise of a corporate structure known as "agribusiness."

Agribusiness invests more than $360 billion, two-thirds at the farm level. More than 23 million people are employed by agribusiness and related industries. In 1870 the United States was 85% rural and 15% urban. In 1975 the United States is 74% urban and 26% rural, with the population density being 57.5 persons per square mile.

There are around 3 million farms with the average size being from 225 to 3,600 acres. More than 54 million comprise the population of Rural America and the United States per capita income for 1972 was $4,400 with the gross national product being $1,050 billion and agriculture, forestry and fisheries accounting for 6% of the GNP.

At your 1973 hearings the full impact and ramifications of the July 8, 1972 U.S.A.-U.S.S.R. wheat deal had not sunk in and were not felt upon the U.S.A. agriculture and economy. At your 1975 hearings, the opposite is the truth. The July 8, 1972 U.S.A.-U.S.S.R. wheat deal can now be referred to as the "great wheat steal" in light of its impact upon the price of bread, wheat and flour for the consumer.

The July 8, 1972 U.S.A.-U.S.S.R. "great wheat steal" has now been confirmed as one of the primary causes for double-digit inflation, recession, stagnation and high unemployment. The Agriculture Department and U.S.A. agribusiness multinational corporations are thus contributors to high unemployment in the U.S.A. via the July 8, 1972, U.S.A.-U.S.S.R. "great wheat steal."

In the United States agricultural production is based upon the principle of land use. Congress was wrong in 1974 when it failed to enact into law Washington State United States Senator Henry Martin Jackson's Senate Bill 268—the National Land Use Policy Act. The 94th Congress should correct the error. I am also opposed to enacting into law as part of any 1975 farm legislation any unreasonable Federal controls on what farmers grow and their income. Such controls would surely mean the demise of the family farm.

My own State of New Jersey has devised a unique method to preserve the "family farm" that might be applicable nationwide. New Jersey, known as the erstwhile "Garden State", is the most industrialized, urbanized and densely populated state in the Union of 50 United States of America having 21 counties, 567 separate municipalities and 953.2 persons per square mile. New Jersey devotes one out of every 5 acres to agriculture and 20 out of the 21 counties report some kind of farm production.

New Jersey farmers produce more than 60 farm products. New Jersey farms are 82% family-owned and 13% are partnerships. New Jersey farms average some 126 acres. New Jersey farms in operation during 1974 were estimated at 8,000.

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In 1973 there were 8,100 farms in operation. In 1975 the farms are expected to decrease to 7,900. New Jersey 1974 farmland totaled 1,030,000 acres.

In 1975 New Jersey farmland is expected to decrease to 1,025,000 acres. In 1965 there were 11,000 New Jersey farms totaling 1,220,000 acres with the average farm size being 111 acres. Stagflation has hit South Jersey and New Jersey agriculture. Campbell Soup Company in Camden City is laying off employees and reducing production of soup, canned and other processed food.

Campbell Soup Company of Camden, New Jersey has around 80% of the national soup market. Tomatoes are New Jersey's number 1 cash crop which brought New Jersey farmers some $17,250,000 in 1974. New Jersey growers harvested 13,300 acres of processed tomatoes in 1974. New Jersey has a serious migrant labor problem, with February, 1975 farm labor salaries being $2.20 an hour.

The 120-member New Jersey Legislature passed the 1964 Farmland Assessment Act which provides that farmland be assessed on agricultural value and not on the value of nearby residential or commercial property. The 1964 law slowed the loss of farmland from a peak of 80,000 acres in 1965 to an average of 10,000 acres a year now. Even with Farmland Assessment farm property taxes continued to rise a total of 74% from 1965 to 1972.

New Jersey's average of $21.27 per acre is more than 7 times the national average of $2.63 an acre and one-third higher than in Massachusetts, the second—highest state. To qualify for farmland assessment the property must consist of at least 5 acres and must show gross sales of farm products of $500 plus $5 for each additional acre.

I recommend that Congress and the President enact into law a National Farmland Assessment Act to preserve the "family farm" as opposed to the corporate structure known as agribusiness.

STATEMENT OF JAMES E. MACK, GENERAL COUNSEL, NATIONAL CONFECTIONERS ASSOCIATION AND THE PEANUT BUTTER MANUFACTURERS AND NUT SALTERS ASSOCIATION

This is a written submission in lieu of a personal appearance at the hearings of your Committee to be held on February 19 pertaining to peanut price support legislation. The writer is General Counsel for the National Confectioners Association and also the Peanut Butter Manufacturers and Nut Salters Association. The industries represented by these associations are responsible for almost the entire usage of shelled peanuts consumed in the United States for edible purposes, that is, peanuts sold at prices reflected the full price support.

We have not become involved in the dispute which has gone forward now for several years between peanut producers, peanut shellers, and the United States Department of Agriculture regarding a possible change in the program. However, we do want to express our concern pertaining to a particular aspect of the subject. It concerns the provision in the existing statute for an annual minimum allotment of 1,610,000 acres. Under no conditions should this allotment be lowered. We are most anxious for you and the other members of your Committee to understand why we are strenuously opposed to a reduction in this minimum acreage allotment. It is recognized that in a year of good yield the quantity of peanuts produced in the United States may be one-third more than is needed for the manufacturers of salted peanuts, peanut butter, peanut butter sandwiches, and confectionery. However, there is a very important reason why this supply cushion should not be reduced. It is because there is a virtual embargo in accordance with Section 22 of the Agricultural Adjustment Act against the importation of peanuts. We understand and recognize fully that this virtual embargo must be maintained in effect as long as the present peanut price support program continues. Otherwise the cost to the Federal Government would be unbelievably staggering. This is, however, where a problem can occur. It has not occurred for quite some years but it could occur in 1975 or any future year. As you well are aware, the size of the peanut crop in any given year cannot be known until the peanuts have actually been received by the peanut sheller. Too much moisture or not enough moisture during the growing season, or very adverse weather conditions during harvesting can cause a crop failure in one or more of the three peanut producing areas. If this occurs in only one of the three peanut producing areas, an apparent abundance of peanuts can develop into an actual shortage within a period of a few days. If then we could look to foreign sources for necessary emergency supplies, we would be able to live with an acreage reduction. We cannot do so with the Section 22 virtual import embargo on peanuts.

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It is correct that there is a procedure for easing Section 22 restr ctions, but from the time this procedure is instituted until foreign supplies can be obtained, a period of at least several months elapses which is far too long when there is a peanut supply shortage.

Therefore, our position is that as long as there is a peanut price support program with the necessary Section 22 restrictions in effect, the minimum allotment of 1,610,000 acres as provided in the current statute must not be reduced.

We request your very careful consideration of our industry position concerning this subject.

STATEMENT OF HOWARD G. KURTZ, INDEPENDENT NATIONAL SECURITY PLANNING NETWORK, WAR CONTROL PLANNERS, INC.

When Public Law 480 was enacted the United States had very large and detrimental farm food surpluses. Members of Congress and the general public were well aware of the situation. The public generally supported the new law calculated to relieve this domestic crisis by purchasing surplus food to be sent abroad to hungry people.

Today as the new 94th Congress attempts to think through The Farm Program, the White House obviously is lost in an unprecedented world crisis now spreading out of control. No one yet has informed the President, or the Members of Congress, or the general public of the character and the magnitude of the tidal wave of global calamity which threatens to engulf us as a nation. When the problem is not grasped, any legislation proposed or passed is apt to be counterproductive.

The following gross oversimplifications are offered to spark widest possible pro and con and creative professional and public and political discussion, that the American people and the Members of Congress may better grasp the present, deteriorating situation, as a background for consideration of The Farm Program.

BACKGROUND

There are limited energies and resources within reach on Planet Earth at acceptable social cost.

Humanity as a whole might have a future on the planet if these energies and resources can be directed effectively toward production of food, clothing, housing, clean air and water, health, education and national security for world populations held within prudent limits.

But instead

Increasingly for the past generation the topsecret command center in the Kremlin and the topsecret command center in the White House have commandeered the cream of the Earth's energies and resources (and the cream of human creativity) to be consumed in an ever-escalating arms and power race, already producing the weapons capable of destroying world civilization in the twinkling of a nuclear war.

The planet is not capable of both (1) providing the necessities of Life for its inhabitants, and in addition (2) burning up and wasting increasing magnitudes of its energies and resources for the runaway production of weapons of death and destruction. Humanity is being given a choice for losers:—(1) sudden death at the deadly dead-end of the self-generating arms race, on the one hand or on the other hand (2) slow death as a billion human beings face a future of starvation, disease, pestilence, pollution, violence, agony and ugly death.

For some years in the Congress the "doves" and the "hawks" have been fighting each other . . . further dividing and weakening our already-divided communites, and congregations, and families. The "doves" have urged the U.S. to turn weak unilaterally in the face of relentless expansion of world powers hostile to America, and this would lead to tragedy and disaster. The "hawks" have urged the U.S. to continue to burn up its scarce energies and resources in the raging race to produce weapons of death which now have become suicidal. Even our enemies now know the White House threat of nuclear war is a bluff, and that if the President made good the threat of nuclear war (whether as first strike, or second strike, or counter force, or the new-fangled retargeting, or retaliation, or any other press conference cliche) he would kill off the American people in the ensuing obliterating world holocaust.

Neither the "doves" nor the "hawks" in Congress have provided leadership toward a new U.S. Grand Strategy or a transcendent commitment of American creativity and power for world leadership toward a civilized world order, within

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which all nations will find national security, and political independence, and fais access to the energies and resources and know-how to provide for the necessitier of Life for its people.

Operating in disregard for the elected Congress, the topsecret White House command sanctuary has failed, under Democratic and Republican Presidents, to provide the global objectives and strategy which deserve the sacrificial support of the American people.

BEST KEPT SECRET IN WASHINGTON—THE STRATEGIC SITUATION

There are more than 150 sovereign nations on the planet.

The patriotic people of these nations have not attached their support to either Kremlin or White House side of the ever-expanding race producing the power to exterminate all living persons, everywhere. No great political genius is required to recognize that this race for the power to create man-made doomsday is not a popular world issue.

Even if the 94th Congress doubles the Pentagon budget, there is no possible way the expansion of world powers hostile to America can be stopped *by American threats to commit national suicide in terminal world obliteration of nuclear war.* The National Security Council and Staff now base strategic planning on the conception of escalating American power to destroy humanity, balanced against escalating Soviet power to destroy humanity, balanced against escalating Chinese, and European, and Japanese, and Israeli, and Indian, and Egyptian powers to ignite the final disaster (like tossing one small match into a large fireworks factory), balanced against the fact that in five years perhaps thirty of these nations will possess nuclear weapons, balanced against the added fact that by then non-nations (like the Mafia, the Terrorists, the Kidnappers, the Hijackers) will be able to buy or steal these weapons to hold all humanity hostage.

This is the obsolete "balance of power" diplomacy of the powerful interests which surround, and isolate, and hold intellectual captive the men who become President of the United States . . . as an impotent Congress fiddles and faddles with small matters.

Hostile to the United States

The increasing strategic power of the Soviet Union continues to escalate its weapons of destruction . . . and the increasing strategic power of China continues its slightly different strategic long range projection with the less developed nations . . . and currently 77 nations vote unanimously against the United States in the recent United Nations Sessions . . . as year by year the nuclear power of these hostile forces continues to escalate.

But tidal waves of human relief and renewed hope for life may sweep across world civilization in support of either the Soviet Union or the United States, whichever superpower becomes capable of greatness, capable of nobility, capable of a massive, sustained commitment of its national creativity and power to the strategic objective of pioneering the global systems and institutions of future global society, and civilized world order, within which there will be war no more among nations, and the scarce energies and resources of the Earth can be directed toward providing the necessities of Life for human beings of all nations.

The American people have the creativity and the power to (1) meet all requirements for national defense, and in addition (2) lead the world pioneering the global technologies and management systems and know-how to help all nations, large and small, developed and developing, to improve feeding their own hungry, clothing their own naked, housing their own exposed, warming their own shivering, healing their own sick and maintaining their own independence and national security. Missing is either a President, or a Congress, willing to provide the leadership around which the American people can rally for the most complex, and most difficult, long range challenge in history.

When Public Law 480 was enacted America made gestures to feed hungry people in foreign lands, to help out our own farmers. The imperative today is a far greater vision and a commitment of the American people to help the people of all lands in their struggles for security and for progress. What is needed now is a "Peace Corps" magnified a thousand times by modern American global systems technologies and management skills, moving out across the world to help the people of other countries through the barriers of food and survival crises. What is needed now is a historic new A.I.D. program not operating on small and shrinking budgets for sentimental or propaganda gestures, but very large scale, long range sustained commitments to provide assistance for development

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in lesser developed nations with a grim realization that unless we can help these nations rise in the coming generation to civilized levels of existence, they most certainly will drag the American people down to less-than-subsistence levels of poverty.

What is needed now is a new magnitude of leadership either in the White House or in the Congress or, preferably, both—capable of (1) meeting all requirements for short range defense against hostile powers, and in addition (2) providing American leadership toward future structures of lasting world peace through world law, within global systems and instrumentalities where people and nations will find their security and wellbeing by guarding the security and wellbeing of their enemies and their neighbors as themselves (in the tradition of the world's major religious and ethnical movements).

ONE CONCRETE EXAMPLE

In addition to all requirements for national defense, Senator Frank E. Moss, Chairman of the Aeronautical and Space Sciences Committee during the last Congress held lengthy Hearings on the fabulous successes of the NASA Earth Resources Technology Satellite (ERTS-1). This is a remote-sensing earth-orbiting satellite, garnering global information important to the development and well-being of ALL nations. The results of this two year experiment have been so amazing that Senator Moss wrote directly to the White House, urging a large scale, continuing American commitment to this research and development and operation to serve the needs of the world's consumers in all nations, especially in relation to world public attention focused on the World Food Conference in Rome last July. Senator Moss went further in proposing AMENDMENT No. 1996 to S.2350 to put this vision into large scale operation, continuing and expanding the budgets for the NASA ERTS satellites (now renamed "LANDSAT").

In the House of Representatives Congressman James W. Symington, Chairman of the Space Science and Applications Subcommittee of the Science and Astronautics Committee also held depth Hearings on these new global civilian information-gathering satellites. Congressman Symington introduced H.R. 17534, with sixteen co-sponsors, calling for expanded and continued U.S. long range commitment to research and development and operation of these pro-human earth-orbiting satellites, to serve the needs of underdeveloped humanity.

In addition to all requirements for national defense, the U.S. could electrify world populations on both sides of all conflicts by a commitment to continue the pioneering work already well under way. As President Kennedy and Congress focused world attention on an awesome commitment of American creativity and power to make the Moon safe for human visits in the 1960s . . . so today President Ford and the Congress could chart a new historic course for humanity by the awesome commitment of American creativity and power to the task of making Planet Earth a safe and decent place for future generations everywhere.

During two years in intensive research, this ERTS-1 satellite has established that . . . with continued and increased research and development and demonstration . . . it will be possible to maintain an inventory of all crops in all nations, and to determine the age of the crops, the health of the crops, and the estimates of future crop production. At present computers can identify 17 different crops but progress is being made. With infrared instruments healthy crops can be distinguished from blight or crop disease. Chemical content of soil can be determined from outerspace, making future crops production more accurately guessed. With other meteorological satellites, long range weather reporting can add to the accuracy of the forecasts. In a few years it will (or would) be possible to maintain an inventory of food production and potential food shortages, everywhere in the world, as part of continuing global concern and commitment that human beings shall not starve or deteriorate through insufficient nutrition.

It will be possible to monitor and manage all the forests of the world, even in remote areas where man never has penetrated. It will be possible to monitor and inventory all range cattle everywhere. It will be possible to survey arable lands for the entire planet and to monitor land use. It will be possible to monitor the pollution of land and sea and air, for the Earth. It will be possible to monitor and manage water resources for the planet, and to discover new sources for life-giving water. It will be possible to map all areas in all nations, to help all nations build up the basic information for their own future development. It will be possible to locate areas where gas and oil and other underground resources will be apt to be

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found, in the effort to help all humanity find the energies and resources for survival and progress.

The list of pro-human services which can be made available to the nations of the world is almost endless, as this new door of advanced global systems technologies and management skills opens up to allow the view of a new Age of Global Compassionate Power systems and institutions . . . in contrast to the past generation's preoccupation developing the weapons now capable of killing off every man, woman, and child now alive, anywhere.

The American people are capable of greatness and nobility beyond any of the small ideas of the White House or the Congress. What a new America it might be if we, the American people, are released to (1) meet all requirements for national defense, and in addition (2) provide a generation of creativity and leadership without precedent, helping the world's people gain forward momentum in their struggle for security and for the essentials of Life and for independence!

We respectfully suggest that it will be impossible for your Committee to consider "The Farm Problem" in the midst of runaway world crises, without somehow arranging to have joint Hearings with the Senate Aeronautical and Space Sciences Committee, and other Committees relevent to the breakthrough eye-in-the-sky satellites.

We are suggesting the President Eisenhower "Open Skies Policy" now magnified by many magnitudes by the relentless forward march of modern global systems technologies and management skills and professional know-how in many fields.

We are suggesting a conservative new U.S. grand strategy committed to the conservation of humanity, rather than threatening its extinction.

There is no way the expanding world powers hostile to America can be stopped by escalating the power to destroy ourselves in nuclear holocaust. They can only be topped by a larger idea a more noble vision than our opponents!

Where atomic physicists provided the leading edge for the breakthrough into the Age of Nuclear Power, agricultural professionals working with many other professional may have to provide the leading edge for breakthrough into the new Age of Compassionate Power.

To focus your attention behind the privileged walls of the White House the Office of Management and Budget has killed ALL budgets for the pro-human NASA Earth Resources Technology Satellites after the second experimental launch now scheduled for the 21st of this month. OMB is hostile to everything we have projected above.

The Congress appears to be impotent in confrontation with the Office of Management and Budget, in this instance, as in others.

We are not lobbyists. We are not seeking your support or endorsement for any legislation or political action. Our mission through the years has been to stimulate widest possible pro and con and creative professional and public and political discussion of emerging new global systems technologies and management skills, and ways in which they can be utilized to protect and enrich Life on the planet for humanity, as effectively as in the past we have led the world developing the powers to destroy world civilization.

You might wish to discuss with Senator Moss the ways of bringing the Office of Management and Budget objectives and strategies and policies out in the open for full public discussion. Whether there will be a future for humanity on plant Earth may be in balance.

Statement of Dennis Bragg, Chairman, Huntsville-Madison County Chamber of Commerce, Agriculture Committee, Huntsville, Ala.

ENDORSEMENT FROM HUNTSVILLE-MADISON COUNTY CHAMBER OF COMMERCE AGRICULTURE COMMITTEE

To: The Senate Committee on Agriculture and Forestry, Government Farm Programs

The Agriculture Committee on the Huntsville-Madison County Chamber of Commerce has been briefed on the testimonies of Mr. Bob G. Hughes, Vice-President of the First Alabama Bank of Huntsville; and of Alabama State Senator Albert C. McDonald. Both these men are active farmers and are vitally interested in the welfare of agriculture today and in the years to come.

The Huntsville-Madison County Chamber of Commerce Agriculture Committee endorses their statement. We also urge prompt action in implementing a revised Farm Program. This action will enable farmers to plan their production for 1975 crop year.

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STATEMENT OF GEORGE B. MURPHY, TANNER, ALA.

To Whom It May Concern:

I will make this as brief as possible. My home is Tanner, Alabama. I am a cotton ginner with 14 cotton gins located in 10 counties in Northern Alabama and Southern Tennessee. I have quite a bit of farm land myself and I am familiar with the operations of about 2500 men who gin cotton with me in the 10 counties I am located in.

Unless we have some kind of government program with a decent loan or a peg price of some sort, a big percent of the farmers will bankrupt. It is a fact that loan companies and banks are not going along with the farmers, knowing they are going to come out deep in the red to start with.

I have figures that were made up from my own farm and other farms in this vicinity. It will cost the farmers $225. a bale for materials and labor to grow a bale of cotton at the present market prices of supplies.

The average price cotton is selling for at the present is $175 a bale. If they make a bale to the acre they will have a loss of $50. per bale. It is very seldom they make a bale to the acre. The farmers are having sales all over the state, selling their equipment for whatever they can get for it at auction and quitting. These are facts.

STATEMENT OF ROBERT ROBBINS, ALTUS, OKLA.

I am a Southwestern Oklahoma irrigated cotton farmer. As you can see by my estimated cost, I can grow cotton for about 38 cents per pound.

I would like to see the Government Loan raised to 38 cents per pound. This will make it possible to get credit at Altus Production Credit Association.

I do not want the loan to be so high that it would serve as a welfare check. Instead, I would like it to be set at a rate which would serve as a floor. In this way, I can get credit and not go broke in case of overproduction which would result in excessively low market prices.

I agree with Secretary Butz's plans if the government will or would allow it to work. However, previous examples show that thus far they have not done so. For example, note such cases as the freeze on beef, stoppage of sales of soybean exports, wheat sales to foreign countries and "talk" of other controls on exports that have affected our market.

If we are going to be asked to overproduce in order that we will be able to supply food cheaply to our own country, and be able to export to foreign countries as well, then it is of extreme importance that we have a floor.

It is also of equal importance that the floor not be raised too high. If this should happen, then farmers who are not efficient cotton farmers and who are not interested in actually producing cotton will grow cotton simply to be able to be eligible for the loan. Such actions would ultimately result in the enforcement of rigid acreage controls. I feel this definitely would not be of benefit to all farmers whose main interest is in continual improvement in production and marketing of cotton.

Under Secretary Butz's plan, there would be years when the price of cotton would be high and other years when the price of cotton would be low. However, I believe, that over a span of years, prices would average out; so that a good cotton farmer would be able to make a profit. The Federal Government, however, will not allow the cotton to reach its high peak on those years when the price would be high. Also, there is some proof that wide swings in the price of cotton hurts its competitiveness with synthetic fibers.

Thus, it is for these reasons that I urge you to set the loan rate at 38 cents per pound. In which case cotton would sell at a price slightly over the loan which would be profit. Also, there is some profit in the sale of cotton seed over cost of ginning.

Senator Humphrey's plan will, without doubt, prove disastrous for the cotton farmer.

Actually, I believe your plan to put the Escalator Clause into effect on the 1975 crop may very well be what is needed.

Enclosure.

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COST PROJECTIONS, IRRIGATED COTTON, ACRE BASES

Expenses based upon current cost and average production of 600 pounds of lint per acre.

Cotton seed	$7.00
Pre-merge, herbicides, and application	11.00
Fertilizer and application	10.80
Preparing seed bed and planting	15.25
Cultivation (3)	7.50
Preparing for irrigation	5.00
Hand labor, weeding	9.00
Cost of irrigation	8.00
Labor for irrigation	6.00
Insecticides	40.00
Harvest cost	48.00
Interest	7.30
Total operating	174.85
Capital cost: tractor and equipment investment	12.00
Cost rent per acre	40.00
Total	226.85

STATEMENT OF RUTH C. CLUSEN, PRESIDENT, THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

The League of Women Voters of the United States welcomes the opportunity to submit this statement for the hearing record on S. 13, amendments to the Food Stamp Act of 1964. May we first note the League's appreciation for the efforts of Members of Congress who recently blocked Administration attempts to increase food stamp costs.

Freezing food stamp prices at last year's levels is only a stopgap measure and Congress must now face the task of revising the program towards improving its administration and delivery.

The League recently reaffirmed its commitment to seeing that the disadvantaged are not asked to bear a disproportionate burden in a period of economic distress. The League has long supported the federal government's responsibility for providing income and in-kind assistance, such as food stamps, to the poor. These types of programs are even more imperative in hard times, though there will always be a need to provide such services no matter what the state of the economy.

The League, like many Members of Congress, recognizes that there have been some abuses in the food stamp program, but we believe that those needing the program should not suffer because of the actions by the few. Nor should such abuses result in a severe tightening of eligibility requirements so that needy recipients are excluded from the program. We would hope that the goal of a comprehensive review would be to increase rather than reduce benefits and to broaden eligibility criteria.

We concur with the findings of the Joint Economic Committee in its report, "Achieving Price Stability Through Economic Growth" (December 23, 1974) which called for reforms in the program. The report recognizes that immediate improvements are needed to help many poorer Americans who have suffered greatly from severe inflation and recession. The food stamp program is singled out for reform because, of all income support programs, it reaches the largest number of those in need. It also focuses on a basic necessity—food—which has risen sharply in price. And, it is a program which can be made more effective through administrative changes, not requiring a major overhaul of the program itself.

S. 13 contains provisions that would bring about some of the needed changes in two major areas.

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ELIGIBILITY

The League endorses Section 2 which would enable unrelated individuals under 60 in the same household to receive food stamps. The Supreme Court decided in *Moreno* v. *USDA* (June 25, 1973) that this provision did not further any legitimate governmental interest. In operation, the Court found that the provision had the result of denying aid to "those who so desperately need aid that they cannot afford to alter their living arrangements so as to retain their eligibility."

We support part b of Section 3 which would delete the provision in subsection 5(b) of the Food Stamp Act which prohibits the participation of certain tax dependents in the program. Here again, the Supreme Court determined in *Murry* v. *USDA* (June 25, 1973) that section 5(b), which provides that an eligible household wherein one member at least 18 years old is claimed as a tax dependent for federal income tax purposes by a member of an ineligible household (thereby making the eligible household ineligible for a period of two years), was unconstitutional. In effect, therefore, the tax dependency provision is now inoperative.

We support Section 6 which would allow all incapacitated persons, not just those over 60, to pay for meals-on-wheels with food stamps instead of cash.

We support part a of Section 3 which would delete those housing payments-in-kind which do not exceed $25 from the standards of eligibility. In an analysis accompanying S. 13 it was noted that state welfare agencies find it difficult to administer this provision because they are not housing experts and must turn to other agencies for assistance in assessing the value of in-kind housing. Thus possible savings to the program are offset by the complexities involved in administering this provision.

COST

The League supports part b of Section 1 which would reduce the maximum percentage a household now pays of its income food stamps from 30% to 25% while those now paying between 10% and 20% would continue to pay the same percentage. League members would be in favor of Congress considering even further reductions in the maximum percentage a household now pays for stamps.

The Administration's attempt to raise the price of food stamps has made all of us aware of the need for reform. The households eligible for stamps increase daily as the tentacles of inflation and recession encroach on moderate-income families who find that today's prices make it difficult, if not impossible, to "price down" in their buying and eating habits.

We realize that, if passed in toto, S. 13 will not correct all the problems of the food stamp program. We would like, therefore, to mention three areas of revision Congress might consider in oversight hearings:

Accelerating the certification process. The "new" food stamp recipients are encountering some of the problems which have plagued the program for some time, one being the long delay between the initial interview and receipt of food stamps.

Another issue is the regressiveness of the program wherein the itemized deductions result in greater benefits for recipients at the upper end of the scale. Jodie T. Allen noted in "Reforming the Food Stamp Program" (Washington Post, February 1, 1975) the additional inequities from loopholes in itemized deductions. Allen found, for example, that: "Among participating families of four, those with less than $100 of monthly income claim less than $15 in deductions per month on the average, while those with over $600 of monthly income claim deductions of over $225."

Uniformity of administration is another area in need of reform. For example, we understand that food advocacy groups, like the Food Research and Action Center, have filed suit against several states because they fail to publicize the food stamp program despite the fact that federal law requires states to develop outreach plans. The League would support the earmarking of specific funds to welfare or other appropriate local agencies for implementing outreach programs. The practice of not publicizing the program has, in our opinion, resulted in the fact that only half of those eligible for stamps currently participate.

No easy solutions lie ahead. Nevertheless, the League cannot overemphasize the need for Congress to commit itself to instituting substantive and permanent improvements to the program. The League will continue to closely follow the progress of the Congressional reevaluation of the program.

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Statement of Arnold Mayer, Legislative Representative, Amalgamated Meat Cutters and Butcher Workmen (AFL–CIO)

My name is Arnold Mayer. I am the Legislative Representative of the Amalgamated Meat Cutters and Butcher Workmen (AFL–CIO).

The Amalgamated is a labor union with 500,000 members organized in about 500 local unions throughout the United States and Canada. The Amalgamated and its local unions have contracts with thousands of employers in the meat, retail, poultry, egg, canning, leather, fish processing, sugar refining and fur industries.

As the Committee knows, our Union has long been concerned with the food stamp program. We believe it is an essential and vital government effort to prevent millions of Americans from suffering hunger and malnutrition. It is literally preventing some of our fellow citizens from starving and is especially important now while our nation is going headlong into a depression. The program is also important to the health of the food industry since it permits some 17 million persons to purchase an adequate amount of food through normal distribution channels.

I. NEEDED PROGRAM IMPROVEMENTS

Our statement is divided into two parts: The first deals with the changes we believe are immediately necessary in the present food stamp program. The second discusses some of the consequences of the arguments made to ban strikers from food stamp eligibility.

We are delighted that this Committee is reviewing the food stamp program. There are several important revisions in the program which we believe should be made at the earliest possible date.

Speed application process

First, the Congress should require the food stamp application process to be speeded up. Across the country, tens of thousands of Americans who have lost their jobs are unable to get into the food stamp program because local food stamp offices are not adequately staffed. A growing number of reports show that waits of 4 to 10 weeks just for an appointment to apply for food stamps are increasingly common. Local officials can then take an additional 30 days to process applications and some jurisdictions fail to act within this 30-day limit.

In areas without an appointment system, a "first come—first served" procedure is used at the food stamp office. Only those who line up by 4, 5, or 6 a.m. are able to get an interview. Thousands line up for hours only to be sent home without an interview and with instructions to line up on another day.

What are families whose head of household cannot find work to do for food as the weeks and months go by and they wait for a food stamp appointment? What are the elderly, blind and disabled—living on fixed incomes—to do as they wait 8 weeks? What are mothers with infants—who may suffer irreversible physical and mental impairment from malnutrition during the first months of life—to do during this difficult time? It is little wonder that the Los Angeles police, and probably other police forces, are currently training to deal with food riots!

We urge that this Committee respond to the economic emergency and act decisively to ensure that all food stamp applicants are fully processed within 15 days of their initial contact with the food stamp office. Such a decision requires not only statutory instructions, but also additional funds for the hiring of local food stamp personnel.

Reduce food stamp prices

We also urge that the Committee reduce food stamp prices. The average food stamp recipient today pays more than 25 percent of net income to purchase food stamps each month. Studies performed in recent years indicate that the high prices currently charged for stamps are the principal reason why a large number of low income elderly and working poor who need and are eligible for food stamps have not enrolled in the program.

In recent years, the cost of rent, heating fuel, clothing and other necessities has risen sharply. These costs must be paid if a family is to have shelter. These families, therefore, find it considerably more difficult to pay the same percentage of income for food stamps today as they spent three or four years ago. This fact is demonstrated by a recent Department of Health, Education and Welfare study documenting that the current inflation has been 20 percent worse for the poor than

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for other segments of the population. ("Technical Analysis Paper No. 2: The Impacts of Inflation and Higher Unemployment: With Emphasis on the Lower Income Population," HEW Department, October 1974.)

In addition, the Committee should note that those who are too poor to pay income tax will get no tax rebate this year, and those who are unemployed or aged, blind and disabled will also fail to get one penny from the tax credit plan approved by the House Ways and Means Committee. A modest reduction in the price of food stamps may be the one way—and only way—in which these people can get some financial relief and some additional purchasing power.

We are, therefore, pleased that so many senators have joined Senator George McGovern in calling for a reduction of food stamp prices to a maximum of 25 percent of net income. We believe, however, that the Committee should investigate other methods of reducing food stamp prices as well as this one, and then act to strengthen the program by a meaningful price reduction.

Eliminate "Ichord amendment"

We would also urge approval of the section of S. 13 which eliminates the so-called "Ichord Amendment," the provision requiring that the value of in-kind housing provided by an employer to an employee be counted as income to the employee's household up to a level of $25 each month. This provision injures migrant and seasonal farm workers who often must live in deplorable housing conditions.

The "Ichord Amendment" is also burdensome and cumbersome to administer, since local food stamp officials are not equipped to assess the dollar value of such housing or to determine in which cases the housing is substandard. (No dollar value is to be assigned to substandard housing under USDA regulations.) We are delighted that the U.S. Dept. of Agriculture has also called for the elimination of this provision and we hope the Committee will act accordingly.

Oppose lower income eligibility limits

Finally, we strongly oppose any effort to lower the income eligibility limits for the food stamp program. These limits have risen in recent years only because the price of food has increased so sharply. If food price stability were restored, then food stamp income limits would automatically level off.

The oft-repeated argument that middle income families now get food stamps is nothing more than a myth. USDA data, some of which appeared in a December 1974 publication (National Survey of Food Stamps and Food Distribution Program Recipients) of the Fiscal Policy Subcommittee of the Joint Congressional Economic Committee, shows that only 3.2% of all food stamp households have take-home incomes of $600 a month or above, and these households contain 9 or more people. A family of 9 with a $7200 income can not make ends meet. It is poor. Also, any family with income in this range must pay a very large amount of cash each month to get its food stamps, and gets back only a very small food stamp bonus in return.

We similarly oppose efforts to lower income deductions. Such reductions would have precisely the same effect as the Administration's plan to increase food stamp prices which Congress rejected decisively only a few weeks ago. The reduction would make the poor, the elderly, and the unemployed pay more for the same amount of food stamps.

In this time of economic crisis, when the national goal is to put additional money into the hands of consumers, no action should be tolerated which will either eliminate families who legitimately meet food stamp eligibility criteria or will reduce food stamp benefits.

II. STRIKERS AND FOOD STAMP ELIGIBILITY

The Committee has once again heard testimony urging it to cut strikers off from food stamp eligibility. Even though the Senate has rejected exactly this type of amendment about a dozen times in recent years, the issue should be analyzed for a moment.

We regard the effort to ban strikers from food stamps as very simply the attempt of some employers and labor haters to starve workers back to their jobs in case of a labor-management dispute. It is simply an effort to increase sharply the power of management over its workers. It is an effort to return to the "good old days" when countless attempts by workers to improve their condition were defeated by the need of these laborers to feed their starving children.

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It is important to recognize that a striker must meet each and every eligibility requirement as any other food stamp applicant. Strikers do not get a free ride. The arguments against them do not question their poverty or their eligibility. They should be banned, the proponents say, simply because they are involved in a labor-management dispute; simply because they are exercising rights which are guaranteed by the Constitution and federal law.

New code word: "Voluntary poor"

But they are "voluntarily poor," the advocates of the striker ban argue. "Voluntary poor" is a new code word. It is a neatly coined propaganda term which seeks to hide the real purpose of the ban-the-striker campaign and to make that campaign more acceptable. (Obviously, proponents are not going to tell the Senate that they want to starve strikers back to work on management's terms.) However, the "voluntary poor" phrase and argument is useful for analysis to demonstrate the thickets in which the U.S. government would find itself if it were to accede to the ban-the-striker campaign.

Anyone familiar with the American institution of collective bargaining knows that strikes occur for many reasons. For example:

> A management may decide it can defeat or cripple a union and it pushes the labor group into one corner after another until a strike occurs.
>
> A management and/or a union may not want a strike, but may so miscalculate in bargaining actions that a strike becomes inevitable.
>
> A union may think it can force demands on management which it cannot achieve without a strike.
>
> Management and workers may have accumulated so much bitterness over the years, the bargainers on both sides realize that clearing the air with a strike—allowing an emotional blowoff—is the best way to improve the relationship and start off on a new footing.
>
> A highly vocal minority in either management or the union may push its group into a strike for some internal reason.

Also, unions consider major management contract proposals and strike authorizations in secret ballot votes of the members involved. If a strike is called-a majority voted for it and a minority against it.

New agency would be needed

If the advocates of the "voluntary poor" argument really mean what they say, they can seek to deny food stamps to strikers only if the walkout was demonstrably caused by the union. And then, they can seek to ban only those strikers who sought the walkout. Some machinery—probably in the form of another government agency—would, therefore, have to be developed to prevent "non-voluntarily poor" strikers from suffering the loss of food stamps.

That agency would have to study the labor-management dispute and come to a conclusion concerning the cause of the strike. It would somehow have to get into the secret ballot vote (or ban secret ballot voting concerning contracts and strikes) to determine which individual voted for the strike and who against it. It would have to make decisions concerning the wives and children of "voluntarily poor" strikers. (Are they to be considered responsible for the strike vote of the father and are they therefore to be denied food stamps?)

Obviously, detailed guidelines, regulations and interpretations would have to be developed. All parties would have to be permitted appeals both within the executive branch and to the courts. Since decisions will take months or years to achieve, some machinery would be necessary to determine in each particular case whether or not the group of families, single family or individual are to get food stamps while a decision is being arrived at. Should the case of the families, single family or individual then go to court, some machinery would have to determine whether or not food stamps should be provided during that period.

Obviously, enforcement and compliance machinery would have to be developed. Also, investigative officers would have to be hired to deal with the inevitable complaints of wrongdoing—illegal or unethical—by the bureaucracy handling the cases and making the decisions.

Therefore, should the Committee seriously consider the appeals to ban the "voluntary poor" (i.e. strikers) from food stamps—and we sincerely hope it will not—then Congress would also have to consider the problems we have outlined and consider establishing government machinery to deal with the problems.

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Even-handedness argument

There is still another argument of the ban-the-strikers advocates which deserves some analysis. They say that by providing food stamps, the government is aiding workers in a strike against management. They say that the government must be even-handed and just in a labor-management dispute. Therefore, they conclude, strikers and their families must be banned from food stamps regardless of need.

An argument can immediately ensue whether to starve strikers and their families is even-handed and judicious. Another argument could concern whether the balance is so much in favor of corporations during a strike that depriving needy, eligible workers and their families of food stamps is really the opposite of even-handedness. But we eschew these discussions for a less complicated and less subjective one.

It is true that striking workers may benefit from food stamps. It is truer that corporations causing a strike or lockout have a myriad of aid and benefits from federal and state governments. Subsidies, tax benefits, government contracts, subsidized loans, special postage rates, are just a few of the many assistances which the governments provide to industry, in general, and to certain industries and corporations, in particular. These benefits do not cease during a strike or lockout.

Surprisingly, the advocates of even-handedness have never attacked this multi-faceted aid to those corporations which cause a strike or lockout. They have often proposed legislation to ban strikers from food stamps, but never to ban corporations with a strike or lockout from taxpayer-paid benefits. In fact, Rep. James G. O'Hara of Michigan offered an amendment on July 19, 1973—during the consideration of the farm bill and the eligibility of strikers for food stamps—to deprive producers of agricultural commodities of any government payments during a strike or lockout. The amendment failed 85–326.

Cut both ways

Obviously, even-handedness must cut both ways. Therefore, were the Committee to consider seriously the efforts to ban strikers from food stamps, Congress would have to continue on the road to even-handedness and also consider taking away the government benefits of the corporations with strikes and lockouts.

We do not intend to be as unjust as the ban-the-striker advocates. We firmly believe that corporations would deserve the same consideration as workers to determine whether they should lose benefits. They, too, would have a right to be judged whether or not they are among the "voluntary poor."

Therefore, separate machinery or perhaps another branch of the strikers agency would have to be developed to consider the case of each corporation and whether it should lose each of the dozens of specific or hidden taxpayer-provided benefits. As in the case of strikers, there would have to be guidelines, regulations and interpretations, appeals, procedures, appeal to the courts, investigative agencies, enforcement officials, separate decision making about what to do concerning the benefits while the decision is being made, etc.

Shams and rationalizations

If the Committee believes that the arguments of the ban-the-striker advocates are not worth all this analysis, we can only heartily agree. We, too, regard their arguments as (1) shams in an effort to justify the starving of workers' families and, (2) attempts to rationalize a hatred of and paranoia about workers. But we do believe that the hearing record should contain some discussion of the consequences of these arguments.

We appreciate this opportunity to present the views of our Union on the vital subject of the food stamp program.

STATEMENT OF M. D. BROWNLEE, SECRETARY-MANAGER, MICHIGAN BEAN COMMISSION, LANSING, MICH.

Enclosed is a proposed recourse loan program for dry edible beans. The proposal itself, we believe, outlines the justification for this request.

Total production of dry beans in the United States in 1974 was 20,805,000 cwt., of which 7,200,000 cwt were grown in Michigan. Dry beans provide an important source of high protein food to millions of Americans, as well as contributing substantially to our agriculture exports.

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One year ago in Michigan, bean growers were receiving approximately $55.00 for a hundredweight of navy beans, a price which was quite unrealistic, but was stimulated because of the short crop. Today the Michigan grower is receiving $12.00 for the same beans, a price which is well below the cost of production, a situation which was created by the over production stimulated by the high price in 1974. The result of the low price this year is predictable, the acreage of beans in 1975 will no doubt be substantially reduced which will again generate a price which is higher than what is realistic. We believe that the program we have proposed will assist growers in stablizing the production of beans at a level which the market can absorb, at a price that will provide a fair return to the farmer and still make available an important source of food to the consumer.

A copy of this proposal has been provided to the Honorable Clayton Yeutter, Assistant Secretary for International Affairs and Commodity Programs, United States Department of Agriculture. It is unclear to us at this time whether the Secretary of Agriculture has authority to implement such a program without Congressional action; or if this authority exists, whether or not it will be used.

We hope your Committee will give serious consideration to this proposal.

PROPOSAL TO THE SENATE AGRICULTURAL COMMITTEE FOR A LOAN PROGRAM ON DRY EDIBLE BEANS

The Michigan Bean Commission represents approximately 12,000 growers who produce 34.6% of the dry edible beans produced in the United States.

A recent determination by the Secretary of Agriculture removed dry edible beans from the list of crops eligible for price support. This authority was contained in the 1949 Agricultural Act.

It is the belief of this Commission that a Commodity Credit Corporation loan program on dry edible beans is needed and justified by the following circumstances and factors.

1. Dry edible beans are not traded on any commodity exchange. Therefore, neither producers nor processors have an opportunity to utilize future contracts in their marketing operations. This makes dry edible beans especially vulnerable to world-wide supply and demand with the grower subject to the vagaries of the market.

2. Dry edible beans are a high protein food which provide protein at a lower cost than meat products and, therefore, the producers should be encouraged to meet expected world food demand.

3. The Michigan bean industry comprised of growers, shippers and processors, has for many years cooperated with the Foreign Agricultural Service, United States Department of Agriculture, in developing a foreign market particularly for navy or pea beans which comprise about one third of the national production of dry beans.

4. During the 1974 marketing season, the 1973 crop of dry edible beans contributed substantially to the export trade balance on farm commodities. For the United States, a total of 3,338,166 cwt. of all classes of dry beans were exported with a total value of $74,413,172. Michigan exports accounted for 1,069,250 cwt. of the above total.

5. It is proposed that in lieu of a mandatory price support program, dry bean producers should be provided with a ready means of financing through CCC channels when needed by a recourse loan. This would promote orderly marketing, and with the proposed change in the maturity date policies, would help the producer in his overall program for production marketing.

6. The method of financing through recourse loans would enable the producer to carry reserves through the next harvest season, therefore, providing a more stable supply from year to year. This would provide a limited amount of reserves without excessive cost to CCC and would keep the reserves in the control of the producer where they are less likely to be forced on the market than if they were held by the CCC.

7. There is a great need for growers to be able to borrow money at a reasonable rate of interest after the crop has been harvested, using the crop as security, so that they can more orderly market the production. Commercial banks are quite willing to loan growers capital for production supplies such as seed, fertilizer, fuel, etc.; but because of market variations, are most reluctant to loan capital to the grower on the crop once it has been harvested. The result of this is that growers are frequently forced to sell the commodity in a very disorderly fashion. The loan program would permit them to carry the crop for perhaps as long as one year, marketing it in an orderly fashion in relation to the market demands.

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8. It is our understanding there is a precedent for recourse loans. The Secretary of Agriculture has, in the past under current legislation, offered recourse loans in emergency situations such as wheat when it was stored on the ground in temporary storage until suitable storage space could be located. Also the Small Business Administration offers this type of financing to small business corporations in need of financial backing when they are unable to obtain loans through regular banking channels.

9. There would be little additional cost to CCC by using this type of loan program in view of the present interest rates which are set approximately at the same level as the cost of money borrowed by CCC. Also, ASCS is geared to process such loans and service charges reimburse CCC for the loan processing cost.

10. We suggest the program be implemented as follows:

A. The loan rate per cwt. to be established by dividing the projected production costs per acre (variable costs only, no land use charge) by the last year's average yield per acre as determined by the Federal-State Crop Reporting Service.

B. The projected per acre production cost would be established by either CCC itself on a State basis or by the Agricultural Economics Department of the land grant universities. Production costs and loan rates would be established for each class of beans.

C. Loans would be disbursed upon evidence of a commercial storage receipt from a warehouse approved by CCC or by a chattel mortgage on beans stored in the growers bin measured and sealed by ASCS personnel.

D. Loan rates would be announced annually before March 1st.

E. Loans would be made any time between harvest and April 1st of the following year.

F. Loans would mature one year from date of issue.

The Commission feels that lack of a loan program will leave bean growers at the mercy of the market which will create overproduction in some years and under-production in other years. Under-production will not only create high prices for domestic uses which will tend to feed inflation, but it will damage the exceptional export market developed over the years since we will be unable to assure foreign buyers of a steady source of supply.

Statement of Jack Crockford, Division Director, Department of Natural Resources, Game and Fish Division, Atlanta, Ga.

For some time, the threat of the accidental introduction of diseases, which could be economically devastating to the livestock and poultry industry, as well as wildlife, has been a major concern to both wildlife and agricultural interests.

In anticipation of such a disastrous event and from experience both recently and not so recently with the cattle fever tick in Florida and Asiatic Newcastle Disease in California, there is growing concern among wildlife agencies. We are concerned that the financial burden placed on our agencies—should control of wildlife in the interest of the livestock industry as well as the reestablishment of wildlife populations in a restoration program—would become a major and, in many cases an unbearable burden. Wildlife agencies which are traditionally underfunded and operating, generally, on hunting and fishing license monies, would be unable to meet the financial burden precipitated by such an event.

We are aware that certain indemnity provisions are available to agricultural interests and both this agency and the Southeastern Association of Game and Fish Commissioners, of which I am presently Vice President, have addressed this issue. Attached is a copy of a resolution on this subject by both the Southeastern and the International Associations. It is my understanding that there is a major revision of agricultural legislation being prepared during 1975 and we would appreciate very much your consideration of extending those benefits to fish and wildlife agencies within the various states in which such a disaster might occur.

Enclosure.

Resolution 12

FOREIGN ANIMAL DISEASES

Whereas, within the past three years two exotic diseases, viz., VEE and VVND, have been introduced into the United States and have threatened this nation's equine and poultry enterprises, with national emergencies subsequently being delcared; and

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Whereas, at any time a multitude of other devasting foreign animal diseases can be accidentally or purposefully introduced, which will place in grave jeopardy this country's entire livestock economy and wildlife resources alike; and

Whereas, the next national emergency may intricately involve wildlife as unrestrained carriers of numerous foreign diseases transmissable to domestic animals, e.g., white-tailed deer as carriers of Foot-and-Mouth Disease (FMD); and

Whereas, in order for successful eradication to be accomplished, it may become necessary to exterminate countless thousands of big game animals thereby involved, at which time State and Federal Wildlife Agencies will be expected to cooperate; and

Whereas, provisions are available for indemnity paid to livestock producers who suffer the consequences of such drastic but essential measures, similar arrangements have not been established for replacement of wildlife so involved; and

Whereas, the individual States are the owners of all resident wildlife as defined by individual States and payments for the extermination, clean up, and restoration of big game populations should be made to the respective State or States involved, now, therefore, be it

Resolved, That the International Association of Game, Fish and Conservation Commissioners urges the Secretary of Agriculture to develop a program to provide funding to State wildlife agencies for relocation costs associated with replacement of wildlife species that may have to be depopulated in order to prevent establishment of a major foreign animal disease in the United States.

STATEMENT OF ARDELL A. LIUDAHL, STATE DAIRY COMMISSIONER, DEPARTMENT OF AGRICULTURE, BISMARCK, N. DAK.

Our economy seems to have deteriorated to a point where we should be thinking about legislating some safeguards into our financial structure under which farmers operate.

Continued low prices for livestock and milk plus possible drought or other adverse conditions could very easily bring on a rash of forclosures by both government and private financial institutions by the Fall of 1975.

We hope it will be possible for you, in conjunction with other Members of Congress from Agricultural States, to draft legislation whereby payments on loans can be extended or renegotiated as the eventual last payment on an installment or long time loan when ever the price of a product upon the sale of which a farmer expects to make such payment, falls below a certain level such as 85% of parity.

If a new farm bill is drawn up whereby the concept of target prices for each farm commodity becomes the basis for determining the point at which a farmer no longer has repayment ability, I am sure a formula could be derived upon which to base protective legislation. Government loans, such as those made by the Farmers Home Administration could easily use a "trigger point" for each product built into their own department policy. Legislation would have to designate the enforcement agency in the case of private or other financial institutions.

There is some work being done at N.D.S.U. to determine "break-even" points for various farm products. This information might be helpful in setting up formulas for a bill such as I am suggesting.

I admit these suggestions are very sketchy. Nevertheless, I feel protective legislation of this kind is becoming very necessary if we are to keep our farmers in business.

This Department has consulted with Officials of the Bank of North Dakota in regard to making more loans of certain types to farmers, especially in the area of interim financing in cases where farmers might be waiting for an F.H.A. loan to come through, or perhaps where short time help is needed while negotiating for refinancing with other financial institutions, etc.

If I can be of any help in these matters, please let me know.

STATEMENT OF RICHARD PEMBERTON, MARSHALL, MO.

I am writing on behalf of 500 Saline County Farmers in regard to the present Farm Program (Disaster Payment Program). I know that the program as it is being administered by Sec. Butz is not how the Senate meant it to be when the program was voted on.

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The Department of Agriculture is not consistent in their program. The GOOD Secretary Butz wants and asked the farmers to plant all that they could into crops. Almost all the farmers increased their crop acres this past season. He sent much of our Fertilizer to Vietnam and other foreign countries, therefore a lot of us did not get all of the fertilizer that we needed, some did not get any. Then to buy what there was, we paid thru our noses, I paid close to 400 dollars a ton forNitrogen that the year before cost only 110 dollars per ton. Then Sec. Butz thru the Disaster Program turns around and kicks us in our "Butts" for having tried to raise more crops. All the publicity that has gone out as to the millions that the farmers would be getting in Disaster Payments, all failed to mention the fact they must qualify for the program, therefore eliminating close to 40% of them that apply.

I just returned from our local ASCS office being 1 of 700 farmers that had applied for the Disaster Payments. Our corn made only 50 bu. average which is only half a crop. Our Office Manager told me that the program sounded very good when it was announced. Then dry weather hit, he said that at that time many letters with regulations, restrictions and rules and requirements poured in from the Good Sec. Butz (Red Tape). Now of these 700 farmers in Saline County, possibly 200 may receive a small payment. Anyone that over planted their allotments or substituted crops are not eligible unless they had a complete failure.

This is a sample of how Sec. Butz program works. Say a farmer has a 50 acre corn allotment. Say that he planted 150 acres of corn, due to drouth the corn yields 30 bu. per acre. To see if he qualifies for any payment the total crop off of the 150 acres is applied to the 50 acre allotment. This shows a yield of 90 bu. bu. per acre on the 50 acre allotment, so the farmer had a good year and does not qualify for any payment. Why then should we have taken all the risk to produce more than our allotment on the Department of Agriculture plea for an increased acreage and production? If the farmer does get any money from the program, the amount will be 46¢ per bu. on the difference in the yield and the farm yield base on file at the ASCS office. This does not even cover production costs.

In my case, one farm I rent I had them figure. We had a Corn allotment of 39 acres, we planted 65 acres of corn which yielded 46.8 bu. per acre. Our farm yield base is about 96 bu. Being over our allotment we did not qualify, unless we had a complete failure. They way they figure it our corn made 78 bu. If the good Sec. thinks a person can make a living on 46 bu. corn, then I would be more than glad to change places with him and income. Then he might, just might be able to learn something about Agriculture economics. Which he seems to be rather stupid about at this point.

The farmer is playing with a stacked deck of cards. He pays their price for Fertilizer, Fuel, Seed, Feed, Chemicals, Equipment, Cars and Trucks. But when harvest time comes, we sell at their price too. This along with a controlled export market may be adding the straw that breaks the Camel's back. That back being the Farmers, the backbone of the American Economy. Washington had better take a long hard look at this situation, because "As agriculture goes, so does the Country and the Economy."

We are at a very crucial point, especially after one of the worst years we have had for many years. Many Livestock and Grain farmers are caught in a very tight vise. On one side is rising costs of production, and on the other poor crop yields, low prices for cattle and hogs. If this continues you will see many farmers go broke, mostly the young ones that do not have their feet solidly on the ground or the financial backing to see them through several bad years in a row. If we lose our young farmers, who is going to feed the World in the years to come, the older men that are on a sound footing can not live forever. If the farm economy goes to pot, so will the nation. Heaven help us if this happens, because the 30's will seem like a picnic compared to what would happen now. We would never survive as a democracy if we go into a depression.

So the time is now to see that the farmer gets a fair shake for a change. We should have a guaranteed price (Floor) to underwrite our products we sell, letting supply and demand regulate the price above the floor. We should also have a guaranteed ceiling on all that we purchase, items such as fertilizer, chemicals, fuel, seed, equipment, etc.

Also I want to mention that our local ASCS office received a letter congratulating them on the way they were handling the Disaster Program, a program that had had the potential of costing millions, but being held well below. Who does the Dept. of Agriculture represent? It does not appear to me that they are working on behalf of the farmer.

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So, Senator, on behalf of 300 dissatisfied and disheartened farmers in Saline County, we felt that you should be aware of the useless and misguided Disaster Program that is being administrated by Sec. Butz. We ask for his resignation and the replacement by someone that knows and understands the problems of the farmer.

Thank you for your time Senator, we know that you have done much for us, the American Farmers. We are counting on you now. Please do not let us down.

STATEMENT OF JESSE M. DOWELL, MANAGER, FARM DEPARTMENT, BANK OF ILLINOIS, CHAMPAIGN, ILL.

Gentlemen, this month an up-dating need of our farm policy is being studied. We have developed the finest agricultural factory, by far, the world has ever seen.

Many of the world's four billion people do not receive the 600 pounds of grain available, per person, per year. We expect about seven billion people by the year 2000. Currently, each American receives the benefits of about 2,400 pounds of grain per year, Russians—1,200 pounds, and the Asians—about 400 pounds. We need to double food production in only 25 years just to stay even, and, hopefully, we can increase the food supply per person.

Many of us have devoted our lifetimes of energy to preparing for and working in our great agriculture. Part of my record is enclosed, if of interest. Many plans have been suggested through the years, some tried and many untested. Our free enterprise system, by evidence, has gotten fine results.

Many charges have developed and been necessitated during our first 200 years. Likely, the same will be true for the next 200 years to be as successful or even more so. I have had several thoughts during the one-quarter of a century I have applied all of my efforts to the production of food. If you will excuse a personal reference, I have been very fortunate in that most of my anticipations have helped me considerably, enabled us to increase food production and, frankly, net profits as a result, as well as other short-term and long-term benefits. If ever necessary, I can cite at least a couple of dozen examples. If I am not too presumptuous I'd like to very briefly summarize just one.

As, I'm sure all of you are aware, we had vast, so-called, surpluses of grains in the 1950's and very low grain prices at support prices. I correctly anticipated a gentleman, who had won a senatorial race by a landslide in 1958, would become president in 1961. He did. I surmised, if he did become president, he would possibly, and likely, make large changes in agriculture, establish corn and bean allotments, and possibly do it, as was done by Franklin Roosevelt and Henry Wallace with tobacco in 1933. President Roosevelt and Secretary of Agriculture, Henry Wallace, acquired the historical plantings of tobacco on each farm for the three years prior to 1933, and used these to establish tobacco allotments for each farm.

These are still in effect, mandatory, and 42 years later, the value of their land is even determined by the size of these tobacco allotments.

Sensing this possibility, I had all the farm production I supervise (about 1/40,000 of the U.S.A.'s corn and bean production) planted to corn and beans in 1959 and 1960, even including some timber pastures. The state of Illinois' A.S.C.S. inspected to see if, in fact, I did have the timber pastures planted in corn.

Of course, President Kennedy did win the election, his Secretary of Agriculture, Orville Freeman, did establish corn allotments, and he did base them on history—1958, 1959, and 1960.

We may live with these corn allotments the rest of our lives; they could become mandatory someday, as with tobacco, and they could determine our land values.

Just a brief aside. I do not think, morally, corn allotments should be based on history. If we ever do feel we need them again, I think a percentage of each farm's tillable acres should be idled and the percentage should be the same for all farms and for all of the U.S.A. I felt this in 1961 but, as individuals, we must maximize our personal net incomes and well being, and highest possible grain allotments were a possibility, and they could be extremely desirable and beneficial in the short run and in the long run.

I'll keep this letter as brief as possible, to outline three thoughts: Many farmers have lost millions in elevator failures in Illinois in recent years. The past 5 years in Illinois, $5 million of farmers' money has been lost by 25 elevator financial

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failures. Bonds, as required by our state statutes, recovered $1 million, and our wonderful farmers lost a net of four million dollars. This is an inane financial system.

The F.D.I.C. solved a similar problem for banks in 1933. A Federal Grain Insurance Corporation (F.G.I.C., if you will) can solve this problem for all of America's grain elevators in 1975. I presented this idea to our former U.S. Representatives in 1972 and received no action.

In 1973 I presented the idea to Rep. Paul Findley (R) of West-Central Illinois and he immediately liked the idea. He and Rep. Thomas Foley (D, Washington) introduced H.R. #10209 last September to establish an F.G.I.C. and insure each grain depositor in our elevators to $25,000. The bill died in sub-committee, I hobe due to the major emphasis going toward Watergate actions.

I hope this bill will be re-introduced, but at $40,000 now, as is F.D.I.C. and Federal Savings and Loan Insurance Co. As I'm sure you know, our food production costs have skyrocketed due to much higher fuel costs, fertilizer costs that have quadrupled, and almost all other factors of production.

The main objections, presumably, to creating an F.G.I.C., are the desire for no more bureaucracy, or as little as possible, the cost to farmers, and the elevators being bothered with tighter regulations. They need to be. Some things are best done by governments—military service (and we must always have the largest club, by far), mail service, F.D.I.C., Federal Savings and Loan Insurance, highway systems, monetary system, et cetera. It costs banks about $7 per $20,000 for F.D.I.C. Guaranteeing $40,000 gross income per year for a $14 insurance fee will be very welcomed by almost all of our wonderful farm families.

A good F.G.I.C. can make the storage of 40,000 bushels of corn just as safe in an elevator as is the storage of 40,000 one dollar bills in a bank.

Point Two. We may never need the price support and subsidy program for corn and beans again. I hope this is the case. However, we just produced 4½ billion bushels of corn, and now we likely will produce 6½ billion bushels of corn in 1975—a two billion bushel increase. A similar percentage increase is likely for soybeans.

As we all know, the demand for our supply of food is inelastic. As a matter of fact, it is very inelastic. Innumerable cases can be cited. Last year's corn crop is only one, and the most recent, example. A 25% reduction in supply probably increased our prices 100%. If we were very selfish we would idle, mandatorily, about one-fourth of our agricultural factory and maintain doubled prices and produce tripled or quadrupled net incomes. Most farmers, I do not think, are that selfish.

However, with 50% more corn likely this fall, and a large increase in soybeans, it was very apparent last November to me that prices in November, 1975, of these two items, could easily and likely be much lower. (In line with this thinking, I sold all 1974 corn and beans in November and December, 1974, for immediate payment or January, 1975, payment, and also contracted about ¼ to ⅓ of our anticipated 1975 production for December, 1975, and January, 1976 payments.)

We can have grain prices this fall that will bankrupt many farmers. If so, the first tractor drive to Washington, D.C. will be small compared to the next.

Target prices are an excellent concept. I'd like to suggest updating the nomenclature and numbers, however. Urban voters are very tired of farmers getting subsidies and are very tired of the word, "parity," and don't hesitate to tell you. Yet in the very next breath, they will tell you they wouldn't even consider working for 70% of fair wages, or 80%, or even 90%. Let's change the name from "parity" to "A.P.I." (Agricultural Price Index). Almost all urban people understand the C.P.I. and its determination of their wages at 100% of fairness in each new labor contract. Let's determine the A.P.I. price that is 100% fair for each commodity—not 70%, nor 80%, nor even 90%. If this is $2.79 for corn today, and the C.P.I. price goes up 1% per month, so should the A.P.I. that will effect 100% fair net incomes to the corn farm families.

This new phase, approach, and attitude I feel will be accepted very favorably by the 95% in towns and 5% on the farms. If their wages then go up 10% in 1975, they then can expect their grocery bills to also go up the same—no less, but also no more. This will be 100% fair to *all*. Both can have nice vacations each year, buy new cars as needed, and enjoy America's good life to the fullest. 100% fair and profitable grain prices will encourage us to produce the maximum amount of food for the world's peoples, benefit our balance of trade problems, and effect other sizable benefits. Not one bushel of grain should *ever* enter the world trade routes except at current A.P.I. prices—not over—not under.

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One final thought, and I know it is a really tough nut to crack, and unfortunately, probably of not much concern to some Americans. There are many people underfed and starving in some areas, other areas are undeveloped, possibly as much as half of the earth's usable lands. Why not start a gigantic world program to encourage hungry people to emigrate in order to develop these underdeveloped areas. Most people seem to respond best—but only after disaster hits, and not before. Millions in India and Africa could be encouraged to emigrate to northeast Brazil, for example, establish cities, develop farms, and produce food from undeveloped soils.

I apologize for the length of this letter, but these problems, too, have long been with us.

With very warmest and kindest regards and best wishes for success with our great agriculture and great country through the current updating studies and the results in the ensuing years of application.

P.S.: A final side light—The professional farm managers of American and Illinois Societies of Farm Managers and Rural Appraisers supervise about 10% of America's food and fiber production now. We have tripled in growth in the past 25 years. As we become more business minded, with larger units, we will grow even faster in the years ahead, and new, younger businessmen will, most likely, be much more receptive to all three of these new recommendations.

Statement of Kenneth F. Lundberg, Chairman, Agrico Chemical Co., Tulsa, Okla.

Senator Bellmon: In response to your letter of January 24, 1975, I have a prior engagement on the West Coast and will, therefore, be unable to testify at the hearings scheduled for February 17. However, I would like to take this opportunity to share with the Senate Agriculture and Forestry Committees some comments on the fertilizer industry and Agrico in particular.

In our view, fertilizer supplies for the U.S. will continue to be tight for this spring planting season. Because of the advance planning which has been done by producers, distributors and farmers, the situation may be somewhat less chaotic than last spring.

Nitrogen in particular will be tight this spring. The only major new source of domestic nitrogen is Farmland Industries' new Enid, Oklahoma ammonia plant. This plant should add about 400,000 tons of ammonia per year (about 2½%) to the 15.7 million tons of ammonia produced during the last fertilzer year by domestic plants. I should point out that about 30% of all ammonia produced in the U.S. is used for non-agricultural uses, such as explosives, fibers, cattle feed supplements and refrigerants. Even though Beker Industries recently started up their Conda, Idaho ammonia plant, and our own plant near Tulsa will start up later this spring, production from these units for spring use will be minimal.

Because of low cattle prices, we expect to see a cutback in the use of feed grade urea. The reduced production rates in synthetic fibers and plastics should free up some additional nitrogen. It is too early to assess the impact of this, but in total it will probably only have a nominal effect.

Up until last year the U.S. was actually a slight net exporter. Now, more nitrogen mateials are coming in than are being shipped out. According to the lastest USDA data, nitrogen exports for the last six months of 1974 were down more than 200,000 tons (30.3%) versus the same time period for 1973. Meanwhile, nitrogen imports were up about 50,000 tons (10.5%) for a net gain of 250,000 tons of nitrogen versus 1973.

Phosphate fertilizers will be tight again this spring, even though some debottlenecking will increase available supply perhaps as much as 200,000 tons. A number of new plants are under construction, but very little additional capacity will be onstream in time to meet the American farmers' needs this spring. We estimate that our new 400,000 ton-per-year phosphoric acid plant near Donaldsonville, Louisiana will be started up about March 1. Even if everything goes smoothly, not more than 50,000 tons will be produced in time to reach the farmer for the spring season. This would represent only a 1% increase over the 5.1 million tons of P_2O_5 used in the U.S. during the 1973–74 fertilizer year. Several other plants are scheduled to start up during the first half of 1975, but they will also be too late to help the spring situation.

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There has been considerable comment about curtailment of the use of fertilizer on lawns, gardens, golf courses and the like. Although Agrico is no longer in this type of business, I would like to point out that only about 3½% of the 47 million commercial tons of fertilizer are used for these purposes. Since these fertilizers are generally of much lower nutrient content, we estimate that only about 400,000 tons (2%) of all plant nutrients (nitrogen, phosphate and potash) are used in this manner.

Longer range, the outlook for supply of phosphate products for domestic use looks good. The U.S. is a major factor in world phosphate production. Last year we produced nearly 45 million tons of phosphate rock, about 38% of the world's supply of phosphate rock. Nearly 14 million tons of this were exported. Agrico and others have announced plans for increased rock production and facilities to upgrade more of the domestic rock production into finished fertilizers.

This increase in phosphate fertilizer production will not only provide an increased supply for U.S. farmers, but will also permit the U.S. to supply the growing requirements of the developing countries.

The longer-range outlook for nitrogen supply is perhaps one of the most perplexing things we see in the domestic fertilizer industry. On one hand, TVA projects an increase in capacity of nearly 7 million tons of ammonia by 1978 from the current level of 17.7 million tons based on new plant announcements. On the other hand, we also know of only a few who have the long-term natural gas supply assured. The Committee must recognize that much of this capacity is in fact dependent on the availability of natural gas.

I know that this Committee has, on a number of occasions, discussed the natural gas problem, and that some consideration has been given to special allocations of natural gas for new ammonia plants. While any such special program is at first appealing to nitrogen producers, one must conclude, on careful study, that this is not a satisfactory long-term solution, since it must ultimately involve governmental determination of how many plants are needed, who should build them, and where they should be located.

In our view, what is needed here is less regulation, rather than more regulation. We feel that two actions of deregulation could assure ample natural gas for all further ammonia requirements. They are (1) The deregulation of new natural gas prices, thereby allowing users of gas, for higher end uses, to compete on a price basis for available supplies and (2) A modification of pipeline regulations to permit the transportation of gas from offshore to onshore, and across state lines, in instances where the owner of the gas desires to use it in his own processes for the production of anhydrous ammonia or other products.

During the past several years, our company has spent $60 million in the acquisition and the development of onshore and offshore natural gas reserves. We actually own sufficient gas to justify the construction of additional ammonia production facilities, but are prohibited from moving forward by regulations which will not permit the transportation of gas from offshore reserves to an onshore location without making it subject to interstate control for allocation purposes.

Unless the two actions set out above are taken, the U.S. faces the prospect of becoming dependent on foreign nitrogen sources in much the same fashion as it is now dependent on foreign oil sources, and with the same potential consequences.

Another matter of concern to this Committee has been domestic fertilizer prices. I feel that the period of the very substantial price increases is past. By and large, the increases which have been announced for the spring of 1975 are only moderately above those of the fall of 1974, and one would expect any further increases to be largely the result of increased costs.

Looking at the world situation, we would expect to see a continued shortage of materials for at least the next several years. There are numerous fertilizer projects under consideration for development around the world, but in most cases these are somewhat slow in getting under way; in many cases, it will be four to five years before they are in full operation. Just how acute the world fertilizer shortage will continue to be will depend, to a large extent, on the international monetary situation and the ability of those countries needing the fertilizer to have sufficient funds to make the purchases in the light of the high cost of imported petroleum products.

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[Telegram]

SENATOR TALMADGE,
U.S. Senate:

The immediate expansion of food production through the reconversion of the automobile industry to tractor production is the only sane policy that the U.S. can adopt to end the depression and stop the spread of worldwide famine.

In order to do this, auto workers nationwide must be immediately reemployed to produce a stockpile of well built automobiles and trucking equipment, simultaneous with reconversion of relevant plant.

This means a full-throttle production program with the employment of at least 200,000 to 300,000 workers in auto.

We demand that the U.S. Congress and city, local, and State representatives fight with the R.S. Labor Party for the EAPA package and appropriate legislation to immediately reopen auto. Impeach Nelson Rockefeller.

Signed by 198 Labor Party members and supporters in New Jersey.

E.C. ALSHOUSE, et al.

STATEMENT OF WILLIAM E. MURRAY, LEGISLATIVE REPRESENTATIVE FOR RURAL AREA DEVELOPMENT, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman and Members of the Committee:

My name is William E. Murray. I am Legislative Representative for Rural Area Development of the National Rural Electric Cooperative Association, the national service organization of nearly 1,000 rural electric systems operating in 46 states. These systems bring central station electricity to approximately 24 million farm and rural people over lines in 2600 of the nation's 3100 counties.

We appreciate this opportunity to participate in the hearings on the "Agriculture and Anti-Depression Act of 1975". It is our understanding, Mr. Chairman, that the legislation is to include amendments to the Rural Development Act of 1972.

As you know, Mr. Chairman, the National Rural Electric Cooperative Association, on behalf of its member systems, strongly supported the Rural Development Act of 1972 and considers it a very important means of achieving the kind of sound rural-urban balance so important to not only the future of rural America but also to the nation as a whole. Further, NRECA views the Rural Development Act as the mainifestation of the commitment which Congress made to rural development in Title IX of the Agriculture Act of 1970, which you, Mr. Chairman, sponsored. That commitment stated: "The Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prospertiy, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas."

Our statement will deal with two aspects of the Rural Development Act. One will cover amendments which we believe will improve the Act. The other with how the Act can help prevent a depression, a subject which is of primary concern in the proposed legislation.

Before we suggest specifics in regard to how the Rural Development Act might be amended to make it more effective, we wish to stress that, generally, we think the Act as written is the most important rural development legislation ever enacted and in its present form, without amendments, it could achieve all the objectives Congress intended for it if the Administration would implement it on the scale commensurate with the needs.

In brief, the Rural Development Act expanded existing authorities and programs in USDA and supplied some essential missing components so as to make possible for the first time the launching by the Federal Government of the kind of massive, comprehensive rural development necessary to provide an alternative to continued rural out-migration. Of the new programs established by the Act, that which provides financing for job-creating enterprises is the most significant, in our opinion. This was the most important missing ingredient in USDA's rural development tool kit. Jobs have to be at the top of the list in any effort to revitalize rural areas.

The Rural Development Act rounded out USDA's capabilities in rural development by complementing on-going programs such as rural electrification, housing, and others. Moreover, it assigned the mission for rural development to the USDA and authorized and directed the Secretary of Agriculture to coordinate the programs of all executive agencies with respect to rural development. Thus,

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the Rural Development Act gave to one federal department, the USDA, the additional major components for rural development which it lacked, authorized expansion of existing programs, provided unlimited financing for these programs, and assigned to it the authority it needed to carry out its responsibilities and to see to it that the other agencies worked in concert.

While the object of rural development, to a large extent, has been to reverse the out-migration from rural to urban areas, and that is now happening, the Rural Development Act plus the on-going programs that it complements, has the potential of helping to avert another depression in rural America. Notwithstanding the fact that a sound and healthy agriculture is basic to the economy of rural areas—and we hope that this Committee will devise the kind of legislation needed to maintain a vigorous farm economy—some 40 to 45 million rural Americans depend on non-farm jobs for their livelihoods. In fact, over 50 per cent of farm families obtain more than half of their income from non-farm jobs. Therefore, it is essential that both the farm and non-farm sectors of the rural economy remain strong.

With unemployment over 8 per cent nationally, and trending higher—some predict it will go over 10 per cent within the near future—we have to assume that rural areas are being affected severely. The extent of unemployment in rural areas is more difficult to ascertain since the Department of Labor figures are not current. The most up-to-date are those for the quarter ending December 31, 1974. Moreover, there is extensive underemployment in rural areas. In this regard, we would urge the Committee to request the USDA and the Department of Labor to develop a method to monitor rural unemployment more carefully and on a more current basis.

Hopefully, the recession in rural America will not turn into a depression. This Committee is to be commended for its concern with preventing a depression as a goal of the legislation which it is developing.

We would emphasize that the Rural Development Act, along with the USDA programs it supplements, plus the authority of the Secretary of Agriculture to bring to bear other resources of the Executive Branch through the authority of Section 603, would make it possible to stimulate the economy of rural America by providing hundreds of thousands of jobs in building essential community facilities of all kinds, in helping to develop new business enterprises, in saving existing ones from bankruptcy, and in providing hundreds of thousands of new housing units. In addition, the Rural Development Act, through farm operating loans and ownership loans, can supply the credit many farm operators require to stay in business.

Frankly, we are disappointed and surprised that the White House has not considered using the authorities under the Rural Development Act in its efforts to bolster the economy and combat unemployment. For example, Farmers Home Administration's rural housing program could be expanded by the Administration to help get the foundering housing industry going again. It could do this by setting the loan level for rural housing at a figure several times higher than the amount for fiscal 1975 and 1976. It could begin such a program today since the funds involved are not appropriated. Congress has given the Administration sufficient authority to make such a decision. The same applies to other programs including those which finance water, sewer and essential community facilities of all kinds. Moreover, in our opinion, the effects would be beneficial nationwide.

We urge the Committee to direct the Secretary of Agriculture to immediately draw up a nationwide plan to combat the recession and prevent a depression, using the authorities of the Rural Development Act and other authorities which are vested in him.

If, however, in the judgment of the Committee, the USDA would not agree to such a recommendation, then the Rural Development Act should be amended to make those authorities which are now discretionary, mandatory. Combined with this, we would recommend that Congress assume authority for setting annual loan levels for various programs authorized in the Act as well as under Title V of the Housing Act of 1949. At present, this authority is vested in the Executive Branch. A simple amendment could transfer it to the Congress which would then enable Congress to decide what loan levels for the various programs would be necessary to achieve the objectives of stimulating the economy and preventing a depression.

The recommendations to achieve these objectives are as follows:

(1) An amendment to transfer from the Executive Branch to Congress the authority for setting annual loan levels for programs under the Act and for housing programs under Title V of the Housing Act of 1949.

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(2) Make mandatory those authorities in the Act which are now discretionary, including the following sections of Title I: Sections 304(b); 306(a)(1); 306(a)(2); 306(a)(6); 306(a)(11); 310(A); 310(B)(a); 310(B)(b); 310(B)(c); 310(C); 312(b); 312(c); 312(D).

(3) Interest rates on business and industrial loans: For guaranteed loans, the interest rate is what the borrower and lender agree. However, it could be so high that the success of the project might be jeopardized. We would recommend that the Act be amended to set a maximum rate of not more than market rate. As for insured loans, the present formula can be interpreted to permit an interest rate substantially higher than market rate. I should be no higher than the market rate, and, preferably, lower.

(4) Section 306(a)(11): We would recommend that the $10 million authorization be increased to $50 million and that this Section be clarified so as to make explicit what now seems implicit, namely, that these funds can also be used for financing research and experimental aspects of rural development.

(5) Provide grants to be used in conjunction with loans for essential community facilities. Many communities would need this kind of assistance if they are to be able to afford new community facilities. It seems to us that the same reasoning under which grants are made available for water and sewer projects should also apply to other community facilities of an essential nature.

If you agree that the Rural Development Act and related existing USDA legislation can and should be used at this critical juncture in our nation's history to try to keep the recession from turning into a depression, then we would ask you to consider increasing the authorizations for grants under the Act commensurate with what your studies indicate would be needed. Also, we believe you should give consideration to increasing the maximum grant for water and sewer systems from the present 50 per cent to a higher figure or, as an alternative, provide interest credits which would reduce the interest rates on loans. The interest credit approach has been used under FmHA housing programs since 1968. The interest rate on a mortgage can be reduced to as low as 1 per cent with an annual or biannual review of the borrower's ability to pay a higher interest rate.

Lastly, we would recommend that Section 603(b) be amended to spell out in more detail the role of "leadership and coordination within the Executive Branch" which the Secretary of Agriculture is "authorized and directed" to provide. We believe that the USDA should serve as an ombudsman and advocate for rural areas. This would include: Providing a one-stop service through which rural communities can obtain Federal assistance for projects; representation of rural interests before Federal agencies to insure equitable allocations under Federal programs and equitable allocations of scarce materials and resources; providing technical assistance; determining rural impact of proposed national legislation and developing recommendations to insure fair treatment of rural areas, and assistance to business firms in seeking Federal contracts.

We very much appreciate this opportunity to express the views of our Association on some of the critical matters under consideration by the Committee.

Statement of Thomas T. Irvin, Commissioner, Georgia Department of Agriculture, Atlanta, Ga.

Although agriculture always seems to have more than its share of problems, I can never remember our farmers being more concerned and confused in attempting to plan future production efforts.

The state of the economy, the inflationary increase in the price of everything farmers need, shortages or tight supplies of such production necessities as fertilizer and pesticides and uncertainty over future supplies of fuel and labor, demand strong determined leadership as well as adequate legislation if we are to meet the food needs of America and the less fortunate people of the world.

Concerned with the problems facing today's agriculture but confident that you Senators will demonstrate your understanding and ability with adequate farm legislation, I would like to comment just briefly on those agricultural endeavors that are of major concern to farmers here in the State of Georgia.

COTTON

I know that you are well aware of the price situation which has left our cotton farmers in a frustrating price bind. There is just no way we can produce cotton at the price for which it has been selling.

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A survey of prospective plantings in Georgia for this year reveals a total commitment of only 180,000 acres or a 57% reduction in cotton plantings from previous year and this, in a state that once planted over five million acres.

Faced with the smallest cotton crop since the early 1800's, we must have a target price of at least 52¢ per pound with cost escalation provisions. This, coupled with a loan rate of some 42¢ to 44¢ would serve as a boost to the morale of our disheartened cotton farmers and would undoubtedly convince some of them to remain in production until such time as the market recovers.

I suggest that you also allow provisions for releasing and reapportioning cotton allotments be continued as they are. I feel that restricting the reapportioning of cotton allotments to state lines is most desirable.

PEANUTS

The existing peanut program appears to be working well and to the satisfaction of all involved. It is, therefore, my recommendation that the program be continued intact, exactly as carried out during the 1974 season.

MILK

This is another program which apparently has few correctable flaws and my only recommendation, based on the increased costs of doing business, is that minimum price supports for manufactured milk products be increased to 85 percent of parity.

CORN

While corn prices this past year have been generally satisfactory to farmers, an assurance of greater stability to the market would be most welcome with a target price of at least $2.00 per bushel. Production of this most basic crop—important to adequate meat production as well as a major food staple within itself—is absolutely necessary to plentiful food in this nation as well as in other parts of the world.

WHEAT

Wheat is not necessarily a major crop in Georgia. It is one of some potential and in 1974, we had a record cash farm income of over 12 million dollars from this crop. A target price of $3 per bushel would not be unrealistic and in itself would have a telling effect on the morale of wheat growers.

POULTRY

Georgia is the nation's major poultry state. Ranking second in broilers and second in eggs, when the two are combined we rank first in these two popular food products.

During this past year there was a decrease in the average price of broilers which marked the first price decline that we have had in four years, and in view of current prices, the industry is looking to the future with some apprehension.

I suggest that your Committee recommend to the USDA an expanded use of poultry and poultry products be implemented in the school lunch program as well as other food distribution programs at home and abroad.

BEEF

The red meat situation in my state is typical of the national picture. Although pork prices are expected to improve somewhat, the cattle picture continues bleak.

Feeder calves are bringing from 20 to 22¢ per pound, about 40% of what they brought two years ago, yet the cost of production is more than twice that and the retail price has dropped very little—or so it seems.

In an effort to help our cattle industry recover as soon as possible and assure at least some economic stability to this major enterprise, I strongly recommend a thorough survey of red meat imports into this nation followed by appropriate action to insure that such imports are regulated in such a manner as to protect America's beef producers and assure prices at least equal to the cost of production.

In closing, let me assure each of you that I am not unmindful of the tremendous responsibilities confronting you, as well as the pro and con pressures from opposing forces.

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The problems of the farmer, as many of you know from first-hand experience, are peculiarly different from those of any other businessman. Your Committee, more than any other group of individuals, controls the destiny of those who produce the food and fibre essential to an orderly world.

I have presented herewith what I feel are suggestions which will give the farmer more of a fighting chance and it is my sincere hope that your ultimate decisions will encompass these ideas—in whole or in part.

It is also my hope that the cost-of-production escalator, written into the 1973 Act by Congress, will be made effective for 1975 and thereafter, for all crops of corn, cotton, feed grains and wheat.

World population increases and the growth of a more affluent social class among the poor and emerging nations require an ever stronger American agricultural foundation.

Our ability to produce the food and fibre necessary to the health and welfare of our own people, as well as millions of people abroad can, and should be, the most important single factor in the establishment and preservation of a peaceful world.

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

PART 3

DES MOINES, IOWA—MARCH 4, 1975
KINGSLEY, IOWA—MARCH 14, 1975

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

TUESDAY, MARCH 4, 1975

U.S. Senate,
Committee on Agriculture and Forestry,
Des Moines, Iowa.

The committee met, pursuant to notice, at 9 a.m., at the State Fairgrounds, Des Moines, Iowa, Hon. Dick Clark presiding.

Present: Senator Clark.

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM THE STATE OF IOWA

Senator Clark. This hearing of the Senate Agriculture and Forestry Committee will come to order.

We are here today to spend a few hours talking about American agriculture—the potential and the problems, and hopes and the fears, the prospects for crops and prosperity in the months ahead. And there is no better time or place for this kind of discussion than right now, right here.

In just a few weeks, farmers on more than 125,000 Iowa farms will begin to plant their corn and soybeans. The decisions they make about how much to grow will have a profound impact on the availability and the cost of food, not only in this country, but in many countries throughout the world. Cattle, hogs, and poultry feeders, wheat farmers, cottongrowers—all will be making the same kind of judgment and, together, their decisions will have as much influence on the Nation's economic well-being as the decision of Congress or the administration or the Federal Board.

Given the importance of that collective judgment, the circumstances of today are not very encouraging. The market price of corn, beans, and small grain has dropped a quarter to a third since October—farm prices fell 4 percent in the last 30 days.

The cost of production has risen so much that it's no longer possible to raise cattle without losing money. And, in the last year, even the weather has become the farmer's adversary.

Inflation has infected the entire economy, and obviously, food is no exception. In 1974, food prices went up 14 percent, but the cost of raising and growing the food went up much, much faster. In 1974, the consumer paid more than ever for products on the supermarket shelf, but the farmer received less and less of the food dollar—less than 40 cents as of last month.

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With all of this, it's not surprising that some farmers want to produce less. They're justifiably afraid of the boom or bust cycle that has plagued agriculture in this country for so long. They look at the market price of grain and beef, they look at the cost of fertilizer and machinery and energy, and they look at what's going on in Washington, D.C. And they're afraid of the way the wind is blowing.

I have talked to a great number of people, formally and informally and I am very interested in the comments that come out of all of these meetings.

For 10 full days last month, the Senate Committee on Agriculture and Forestry listened to experts, to lobbyists, and Government officials talk about farming and what should be done to improve the 1973 farm bill and encourage production. Some of them said Congress should throw out the bill and start all over again. Others said it was fine, that farmers would produce a record harvest if everyone would only let the free market work. The best course probably lies somewhere in between those two extremes, and I hope in these hearings that you'll help us find it.

We plan to hold hearings tomorrow in Kingsley, out by Sioux City; but there is a chance that because there may be a vote tomorrow in the Senate on a subject that is very important to us all the chance is that they will be moved up to sometime later. But that decision will have to be made in the next 3 or 4 hours.

The House Agriculture Committee already has reached a tentative agreement on some changes in the farm program: A target price for corn at $2.25, a loan rate at $1.87. For soybeans, the loan rate is $3.94. With both corn and soybeans selling today at or near the cost of production, the importance of putting the farm program back in line with reality is all too obvious. The alternative—the same farm bill with the same kind of indifference from Government—can only mean reduced production, eventually higher consumer prices, and more bad news for the Nation's economy. In about 10 days, the Senate Committee on Agriculture and Forestry will start to write a new bill or amendment, based in part on the testimony which we receive here today, and from the witnesses at Kingsley. We may accept or reject, or significantly modify what the House Agriculture Committee did last week. We certainly should be able to finish the markup of this bill this month, and hopefully pass a bill in the Senate before the end of March. That is our goal. That means we could go to conference late this month or early in April, and, hopefully, quickly have a bill to the President in April. At least we plan to have the opportunity to have it there before anybody starts planting.

If this country wants the farmer to produce more grain and more beef, then the Government has an obligation to help create an atmosphere that encourages that production. The farmers want and deserve more assurance, or some insurance, that Government policy, or bad weather, or wild price fluctuations won't drive him off the farm as he tries to produce food for the country and a good part of the world.

Congress tried to provide that insurance when it passed the farm bill 2 years ago, but since then, events have shown both the need for a good farm program and the need to improve the one that we have.

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There are a great many proposals, a great many areas to explore in these hearings. Certainly I want to hear your judgment and your opinion on such things as if the target price appears to be adequate, if so, or if not, what level would be justified. We want to hear your opinions on price support, commodity loan rates. Should they be increased? Should nonrecourse loans be continued? If so, at what interest rate? We want to hear your judgment on the disaster provisions of the Agriculture Act. We have several people here today who are going to testify about how well those have worked, or how they may have not worked at all. We want to hear your opinions on fertilizer supply, and any of the other elements, any of the other factors which you think are important for us to consider when we start looking at this legislation next week or the week after. The information and the suggestions that you give us will help the Senate Agriculture Committee write a new farm bill that meets the needs, hopefully, of farmers and consumers.

As we go through the day, it's important to remember just how much is at stake in all of this. No State has a greater dependence on farm income than Iowa. No State produces more corn or more hogs. The Nation's balance of trade and its economic well-being depend in no small part on Iowa's agricultural production. These hearings—and the legislation they will help shape—are not just farm hearings because what we do, what the American farmer does, will affect people everywhere. After all, when it comes to food, we're all in it together.

So the hearings will now open. I would like to introduce Mr. Tom Saylor on my right, who is on the staff of the Senate Agriculture and Forestry Committee, and is going to assist me in these hearings; and Ed Campbell, who is farther to the right, who is on the staff of Senator John Culver; and Clayton Hodgson on my left, who is with Congressman Bedell's office, who will perhaps be at our hearings in Western Iowa. Congressman Bedell is on the House Agriculture Committee. Bob Wegmuller is my farm liason staff person, and those of you that have come here to testify should contact Bob, and he will make sure that you are worked into the program, if it is at all possible.

I think it might be well, before we call the first witness, to just read to you some of the ground rules for today's hearing. We want to give everyone an opportunity to speak, if we possibly can, rather than just letting 3 or 4 people go on for 20 minutes, we want to try to get a great variety of experiences, and a variety of testimony from as many different people as we can. So just let me read these ground rules, so that we all know how we are going to spend the day, and sort of know what to expect.

A transcript of all testimony and conversation will be made for the purpose of preparing for distribution verbatim transcript in printed form. Oral testimony must be limited to 10 minutes. We are going to ask each of you not to speak for more than 10 minutes. In fact, Mr. Saylor is going to ring the bell when the 10 minutes are up; so try to end your comments as quickly as you conveniently can following that. If you speak less than that, you are not going to be penalized of course and we'll just spend more time on questions. I

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guess the bell is going to sound a little before the 10 minutes, so that you will actually have 10 minutes. There will be no limit to the length of testimony to be submitted for the record. If any of you that have brought longer statements—that's fine—read from it, paraphrase it, do whatever you like, spend your 10 minutes in whatever way you think appropriate, and leave us the copy of the full testimony. If some of you cannot stay and testify, we would be delighted to have your testimony submitted in written form for the record.

Because we are about to write this bill, we are not going to leave the record open as we normally would, for more than a brief period of time. We would like you to send that written testimony to us today, or tomorrow, or the next day, so that it can be included in the printed record.

To make it a bit easier for the recorder, I would like you to announce your name, address, and association, if that's pertinent, at the beginning of your testimony; if you are representing the Farm Bureau, or the NFU or the NFO, or the Corn Growers, let us know that. In addition, forms are provided for recording this information, so please fill those out.

Now we are going to move as quickly as possible, so that we can give as many people as possible a chance to be heard. At the end of the day, witnesses still remaining who have prepared testimony, but are yet unheard should submit the text for the record. I think that takes us to our first witness.

Our first witness is Harold Brightwell. Mr. Brightwell, if you will just come down here, please. The microphone is on and we are going to try this standing. If anyone would like to sit down, that would be fine, too.

Mr. Brightwell is with the U.S. Department of Agriculture—the ASCS State office—and is a farm program specialist. We have asked you in to testify, and have asked the Department of Agriculture to be kind enough to have you here, because we are particularly interested in some of the aspects of the grain storage and sale program. Please proceed in any way you think appropriate.

STATEMENT OF HAROLD W. BRIGHTWELL, PROGRAM SPECIALIST, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE STATE OFFICE, U.S. DEPARTMENT OF AGRICULTURE, DES MOINES, IOWA

Mr. BRIGHTWELL. All right. My name is Harold Brightwell, I am a program specialist with the U.S. Department of Agriculture, ASCS, from the Des Moines office.

Senator CLARK. Do you have a prepared statement, Mr. Brightwell? If not, we have some questions that we want to ask you.

Mr. BRIGHTWELL. Sir, I have no statement, but if you would proceed with the questions, I would be happy to answer them.

Senator CLARK. You are familiar with some of the legislation which has been introduced in Congress to establish government control of reserve stocks of grain?

Mr. BRIGHTWELL. Yes, I am. And I have followed that very closely, because during my career with the Department I have been part of the grains storage program ever since it started.

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Senator CLARK. The argument that some organizations use against Government controlled reserves has been that whenever the Government sold corn, they depressed the market prices. Has that been your experience? Or do you have any particular comments on that subject?

Mr. BRIGHTWELL. I would like to read part of a statement from the February 1971 issue of the Feed Situation published by the Economic Research Service of the Department of Agriculture. It reads as follows. And I think it's important to keep this in mind:

> "Corn prices have increased more than seasonally since last fall"—and we're talking about 1970— "reaching $1.42 per bushel in mid-January, the highest in 15 years. Prices during the October and January period averaged $1.35 per bushel, 25 cents higher than this same period last year. The 10-percent drop in the 1970 corn crop because it was the year of corn blight, was a major factor in boosting corn prices."

This big increase in corn prices occurred in spite of the fact that we were offering all of the corn that the Government owned in bin sites and in warehouses throughout the Corn Belt. This would indicate that on the basis of the record—published by the Department of Agriculture—that the sale of Government corn did not depress the market price; instead, prices rose more than they had risen in 15 years, during the time we were offering all of this corn for sale.

Senator CLARK. Prior to March 1973 sales, had the Government ever conducted a corn sales program through the State and county ASCS offices without the buyer having to pay any money for the grain?

Mr. BRIGHTWELL. The Government has never before had that program, and to my knowledge nobody else ever has. It was brand new.

Senator CLARK. Can you give us a general summary of the events leading up to these instructions?

Mr. BRIGHTWELL. Yes. Early in January 1973, Washington issued orders that they were going to move the authority for selling bin site corn from the State offices, where it had always been, into the commodity office, located—in our case—at Kansas City. They issued a press release stating that in January and February of 1973 that loading orders would be issued for all bin site corn west of the Mississippi River, and after the movement of warehouse stored corn, the Kansas City Commodity Office would be offering bin sit corn west of the Mississippi River for sale on a to-arrive basis at terminals. No one in Washington ever discussed or talked to me or the State office about the Commodity office taking over the sales of bin site corn. Bin site corn sales, as I have indicated, were always handled by the State offices. The order for the Commodity Office to sell corn apparently was recommended, because we were instructed in the monthly sales wire on February 1 to continue the sale of bin site corn. During this period from February to the middle of March, the people in the State office, including the State executive director and myself, were continually called by Washington to do something about stepping up the sale of Government owned corn.

Going back in history just for a little bit. On March 22 and 23, 1973, we had a State meeting for County Executive Directors at the Downtown Holiday Inn in Des Moines. On the morning of March 22, Mr. Awtry—and he is the State executive director—advised me

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that we were to call the area office in Washington and talk to Mr. Howard Waters and Elvin Persons, who is deputy administrator in charge of programs. Shortly after lunch we placed a call from the State office in room 937 of the Federal building, and we were given instructions to offer all bin site corn in the State for sale with no down payment, no collection of sale proceeds until the corn was actually delivered.

In addition, they asked if we could think of anything else that we could do that might step up the sale of corn. I indicated that I thought we ought to move away from selling corn as is, and forcing the buyers to guess what the quality was, to make sales on a grade basis—which is the standard procedure in the industry.

I also asked why we couldn't have more time to make the sale, and was advised that no more time was available. I was informed that all of the corn had to be offered for sale by March 26, which was Monday following the Friday that we got the instructions. To my knowledge, no one ever gave us a reason why there wasn't any more time.

As a side comment, our sale confirmation details were never furnished to the State office until after April 12 and we did not receive any written confirmation of the sale details until that date, although the sales were made prior to that time. The details of the sale came over the wire, which was undated, but which was received in the State office on April 11, 1973.

Senator CLARK. Did they ever have a sales program before where you could leave the corn in storage with no cost, until such time as transportation facilities were available?

Mr. BRIGHTWELL. No, they never did.

Senator CLARK. About how much CCC-owned corn was in bin sites and warehouses when the corn was offered for sale in late March?

Mr. BRIGHTWELL. I'm speaking for Iowa, and in Iowa we had 13 million bushels of corn in CCC bins and about 10 million bushels of CCC corn in country warehouses.

Senator CLARK. Did the Government finally decide to begin charging storage for corn sold which had not been moved?

Mr. BRIGHTWELL. Yes.

Senator CLARK. About what date? What time was this?

Mr. BRIGHTWELL. Keeping in mind that these sales were made in March 1973, the order to begin to charge storage came to the State office about the last part of December, and it was effective about the middle of January 1974, when we did institute storage charges at the same rate the Government was paying other people to store grain.

Senator CLARK. Can you make a reasonable estimate of how much of the storage charges—how much they would have totaled for just that corn which was in storage in CCC bins and warehouses in Iowa, from the time that the sale was made until Government actually started to charge storage? In other words, what we want to know is how much the Government could have charged for storage, of this corn, at the regular storage rates which they are paying to warehousemen for storing corn?

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Mr. BRIGHTWELL. The storage charges on this rate—for the corn we sold in our bins, would have amounted to about $2 million, that we did not charge storage for, and which we would normally have done if we had been following the procedure that we had always followed in the past. In addition, there was 10 million bushels in warehouses, and the storage rate on that would have been about $1½ million. So that combined, we are talking about storage charges that could have proved to be more than $3½ million.

Senator CLARK. Do you think ordinary country warehouses in Iowa were in a position to take advantage of purchasing corn under that set-up?

Mr. BRIGHTWELL. No, they were not.

Senator CLARK. Explain why not.

Mr. BRIGHTWELL. First of all, there was just a couple of days—it's pretty difficult to get out notices to all country warehousemen in Iowa in 2 days. And more importantly, it's difficult for a country warehouseman to arrange for financing in that kind of buying. They didn't know that the Government was going to leave this corn there for 10 to 12 months, which is what happened. And also, that was the year when we had a very severe railroad car shortage—we still have some of it, but it was the worst that year that it's ever been. And they just couldn't move corn. And they were afraid that if they did buy it, they'd have to hedge it, and they couldn't move it. And that's what happened in many cases. And they would have lost a lot of money.

Senator CLARK. I think those are the major questions that we had, Mr. Brightwell, and we appreciate very much your willingness to come down this morning and testify to these particular matters.

Mr. BRIGHTWELL. Thank you for the opportunity.

Senator CLARK. We are going to hear next from Roy Fagan. He is with the ASCS and is a USDA program specialist. We are going to be particularly interested in these early two or three witnesses about the application of some of the disaster aspects of the Agricultural Act which we passed some 18 months ago. Mr. Fagan, would you state your name and what your responsibility is?

STATEMENT OF ROY FAGAN, PROGRAM SPECIALIST, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, DES MOINES, IOWA

Mr. FAGAN. I am the head program specialist in charge of the compliance program. This covers the responsibility of recruiting crop appraisers, training appraisers, providing work assignments, spot checking completed work, and interpreting procedures and instructions.

Senator CLARK. How many applications were filed for disaster credit?

Mr. FAGAN. Up to January 31, there were 32,586 applications on file. Of these, 460 were for prevented planting and the rest for low yield or failed acreage.

Senator CLARK. Appraisals for crop production or potential production was necessary. How many were done?

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Mr. FAGAN. A few appraisals are still being done, but up to January 31 we had completed 12,805. ASCS appraisers did 9,927 and FCIC did 2,878.

Senator CLARK. Were experienced persons doing appraisals?

Mr. FAGAN. Yes. All appraisals were done by the appraisers who had received training in various appraisal methods by FCIC instructors.

Senator CLARK. I have heard of some farmers who were delayed in receiving an appraisal. Why was this?

Mr. FAGAN. When flood, drought, hail, or frost strikes a crop the farmer is understandably anxious to salvage whatever he can. It is obvious on a major disaster such as drought or frost that we wouldn't have enough trained people to make immediate appraisals. So we directed appraisers to the farmers who were going to immediately utilize the crop by green chop, pasturing, or plowing under. Those using the crop for silage were requested to leave representative strips for later appraisal.

Senator CLARK. Did the practice of leaving the strips for later appraisal work reasonably well?

Mr. FAGAN. Generally, yes; although in some cases the measurement of silage would have been more practical. There were cases where the farmer, through misunderstanding, failed to leave strips, or he commingled production from several farms. In other cases he failed to keep adequate production records because he didn't realize he was in an eligible situation until he was nearly finished with harvesting.

Senator CLARK. In your opinion, would the same approach to appraising work better in 1975?

Mr. FAGAN. The 1974 disaster increased beyond anyone's expectations. Procedures weren't always understood, and farmers were unfamiliar with the program. For 1975 we would have quite a few experienced people available. Contemplated changes in appraising could ease the appraisal load where the use of corn was for silage.

Senator CLARK. In your judgment in working with farmers on this program, do you think that they understand the program generally? Do you think they are satisfied with this program? Or what are their complaints?

Mr. FAGAN. Well, I know some of them aren't satisfied—especially those that lack by a few bushel being eligible for a payment. I know these people aren't satisfied. I think it was a hard program for the farmers to understand. The county office did send out a lot of information on it, but you know, the farmer is pretty busy, and he doesn't always read all these things that he gets from the county office.

Senator CLARK. In other words, you are saying that one of the complaints you receive is that if they are 1 bushel long, they get nothing, or 1 bushel short and they get the entire one-third of target price, is that what you are saying?

Mr. FAGAN. It could work out this way. It's just a matter of when you figure out his bushel eligibility, if he's missing it by as little as 1, why he would be without a payment. He does have the right to ask for a reappraisal or remeasurement of acreage, if he thinks we made a mistake.

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Senator CLARK. But even under the law, strictly speaking, he could be entitled to all or none. There is no phasein or phaseout. You don't get a percentage, you get one-third or nothing, is that the way it worked?

Mr. FAGAN. Well, yes; this is it, he would be just out.

Senator CLARK. I think that's one of the things that we clearly will look at in the law. It certainly seems to me that that is something we ought to discuss with the committee. I don't see why we couldn't give farmers a percentage of their loss rather than simply saying you get one-third of the target price of that loss if the loss equals one-third of the anticipated yield or nothing. But in any case, that's not your immediate problem. We appreciate very much your coming before this committee.

Mr. FAGAN. Thank you, Senator.

Senator CLARK. The next witness is Marvin Smith, with the Agricultural Stabilization and Conservation Service. He is a USDA program specialist. Perhaps you could start by stating your name and your position.

STATEMENT OF MARVIN L. SMITH, PROGRAM SPECIALIST, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, DES MOINES, IOWA

Mr. SMITH. I am a program specialist with the Iowa State ASCS office. I assist Mr. Fagan in the supervision of farm program compliance. My work with the 1974 disaster program involved recruiting, training, and supervision of crop appraisers; also, coordinating appraisal and acreage determination work with county offices and assisting county offices and county committees with program determinations.

Senator CLARK. Did the appraisal activities which you supervised continue throughout most of the crop year?

Mr. SMITH. Yes; we began appraising failed fall wheat early in April and, starting in May, have worked with feed grain appraisals of failed and low-yield corn and grain sorghum up to present time.

Senator CLARK. Can we assume that many of those appraisals dealt with crops which were immature and had not yet formed grain?

Mr. SMITH. Yes; by September 1, we had received requests for about 4,000 appraisals. Most of those appraisals were for failed immature crop acreage which were to be replanted, plowed down, or devoted to some forage use before grain was formed. We were required to appraise all feed grain within the allotment which was being replanted to a nonprogram crop. As the drought progressed in western Iowa and elsewhere, the procedure was changed to require appraisals of all feed grains used for livestock feed in any form, whether within or in excess of the allotment.

Senator CLARK. In your opinion, would it have been practical to assign a zero yield to all acreage of feed grain which had failed before grain was formed?

Mr. SMITH. Yes; in retrospect, I believe that would have been generally true. Farmers do not disc up and replant corn or grain sorghum if they believe it has a reasonable chance of making a crop.

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If the crop was to be destroyed, grazed, or fed as green chop, it generally was not of much value before grain had formed.

Senator CLARK. Could the ASCS county committee have decided when an appraisal was necessary, depending on the maturity of the grain, and, with that exception, determined other failed, immature acreage of no value?

Mr. SMITH. That procedure probably would have prevented waiting on appraisals and saved some administrative expense, especially when flooding virtually wiped out all vestiges of the planted acreage.

Senator CLARK. Were the basic methods of field appraisal practical and reasonably accurate?

Mr. SMITH. Generally, yes; hail damage appraisal is always difficult but the appraisal systems used on maturing grain are all more accurate than the earlier stand reduction methods and they become increasingly accurate as the crop approaches maturity.

Senator CLARK. In light of your 1974 appraisal experience, do you consider the disaster program successful?

Mr. SMITH. Yes; there is need for modification but it is practical and our 1974 experience demonstrates that there is need.

And of course there are some proposals for change at the present time. In view of our experience with the widespread crop disaster, there is obviously need, and in view of the expense versus price ratio as it now exists, I think that expense should certainly be held to a minimum for the farmers.

Senator CLARK. Thank you very much for coming down to testify.

Mr. SMITH. Thank you, Senator.

Senator CLARK. Mr. Clarence Schwebke, who is a program specialist, ASCS, I think the last of the witnesses who are going to discuss the disaster provisions. Would you please state you name?

STATEMENT OF CLARENCE W. SCHWEBKE, PROGRAM SPECIALIST, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, DES MOINES, IOWA

Mr. SCHWEBKE. I am Clarence Schwebke, program specialist with ASCS State office in Des Moines.

Senator CLARK. And what is your particular position there, or what experience might you have had with the disaster programs.

Mr. SCHWEBKE. I am a program specialist for production adjustment.

Senator CLARK. Now, how much acreage of grain has been allotted or assigned to the farmers in the 1974 crop season?

Mr. SCHWEBKE. 9,934,000, in round numbers.

Senator CLARK. 9,900,000. Now, how many acres of feed grain were planted in 1974?

Mr. SCHWEBKE. 12,752,000—53,000.

Senator CLARK. So, almost 3 million acres more than the allotment?

Mr. SCHWEBKE. Yes.

Senator CLARK. Now what was the acreage, or the average ASCS established corn yield in the 99 counties in 1974? What was the established yield in 1974?

Mr. SCHWEBKE. 116 bushels.

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Senator CLARK. 116 bushels per acre?

Mr. SCHWEBKE. Yes.

Senator CLARK. And what is the average corn yield used for adjustment purposes during that "10-year average", that was used as a base period according to Statistical Reporting Service? Explain the differences, and tell me if this is in the best interest of the farmer. Let's try to break those down into separate questions. What was the average corn yield used for adjustment purposes, the 10-year average, according to the Statistical Reporting Service?

Mr. SCHWEBKE. It was something in the neighborhood of about 90 bushels.

Senator CLARK. About 90 bushels per acre over the 10 years?

Mr. SCHWEBKE. Yes.

Senator CLARK. I wonder if you would be kind enough to check those through the day and give us a very specific figure?

Mr. SCHWEBKE. Yes; I would be glad to, Senator.

[The following information was subsequently received for the record:]

1972	110.0	1967	88.6
1971	99.8	1966	89.0
1970	85.8	1965	82.3
1969	97.6	1964	78.7
1968	92.3	1963	81.1

Senator CLARK. But it is about 90 bushels. I think that sounds about right. Now, explain the difference between the so-called adjusted yield used for adjustment purposes, the 10-year average, as compared to the figure you gave in the question about last year's average, or any other single year's average?

Mr. SCHWEBKE. Well, using the 10-year historical figure, this was divided by the program yield for 1974, and two-thirds of that was the eligibility factor. That is how the 10-year figure comes into play.

Senator CLARK. Well, does that really serve the farmer's interest best? We are in the process of trying to rewrite this bill, and we want to know what to do with it, and you have some experience, and do you think that works best for the farmer, rather than a 1-year average?

Mr. SCHWEBKE. My personal opinion is no.

Senator CLARK. Why not?

Mr. SCHWEBKE. Because of the 10-year historical average starts at the lower point. That is back in 1963, and of course the yields were significantly lower at that time.

Senator CLARK. Do you, from your memory or any notes, have any judgment of about what the average yield would have been in 1963 in Iowa?

Mr. SCHWEBKE. 81.1.

Senator CLARK. And an average yield now, the Department, as I recall, was last year predicting a yield nationally of about 97 per acre?

Mr. SCHWEBKE. This year they are projecting 93.

Senator CLARK. Now they are projecting 93?

Mr. SCHWEBKE. That is on a national basis, yes.

Senator CLARK. That is probably more realistic than 97, but in other words, you are saying that over that 10-year period we have had such significant increases in yields——

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Mr. SCHWEBKE. That is correct, sir.

Senator CLARK. To try to get somebody an average year, to throw in the figures of 10 years ago and 9 years ago and 8 years ago, gives you a distorted picture in terms of the real yield potential.

Mr. SCHWEBKE. That is correct, sir.

Senator CLARKE. I think that is something we should certainly look into. Now, do you believe that other producers, or Government employees in the county office level understood this program, the way it was administered? What has been your experience in working with the county officials, insofar as did they really understand this program and how it works?

Mr. SCHWEBKE. Well, as Mr. Fagan pointed out earlier, this was the first year of this program in Iowa, and I have worked with these programs for almost 40 years, and this is the most difficult program to get a handle on.

Senator CLARK. In your experience?

Mr. SCHWEBKE. Yes.

Senator CLARK. Well, could determination of liability have been accomplished in a more practical and accurate manner than county offices, in your judgment?

Mr. SCHWEBKE. Well, under the last 6 years of the set-aside programs, of feed grain and wheat programs, the computations were made at the computer centers, and I presume this could be done with this program.

Senator CLARK. You think that might work better?

Mr. SCHWEBKE. Yes, I do.

Senator CLARK. Do you have any suggestions that you could give to the Congress by way of improving this program? I guess I am just asking you that on the spur of the moment. Of course, if you have something to say, you could also put it in writing.

Mr. SCHWEBKE. Well, one thing I would suggest, Senator, is to eliminate the 10-year historical average yield for eligibility purposes. And of course one change that has been proposed for 1973, in fact it is in the mill, using followup crops like soybeans and field corn, this will be out in 1975, I understand.

Senator CLARK. You know, one of the things that interests me is the difference between the allotted acres and the actual acres planted. I remember hearing Secretary Butz and others say over and over and over again "We want more corn production in 1974", speaking now of course of last year, this great encouragement to get people to plant as much as they possibly could, and yet 3 million acres, or almost one-fourth of the corn that was planted in this State last year was not covered by the allotment. This was not covered by the disaster provisions.

Mr. SCHWEBKE. That is correct.

Senator CLARK. So if you planted more than your allotment, you were discouraged from doing so even though all the rhetoric and talk to have us plant more corn?

Mr. SCHWEBKE. Well, for the disaster programs, as a suggestion, maybe the planted average acreage should be used more than the allotted acreage.

Senator CLARK. That would seem to me to make sense, if you want that kind of production—obviously if you don't want that kind of

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production, if you don't want to encourage it, then you don't want to discourage it. But if you really are going to want farmers to produce for that, it seems to me they should be covered for that part which you want them to produce.

Thank you very much, I appreciate your coming up.

Mr. SCHWEBKE. You are welcome, Senator.

Senator CLARK. We are going to hear now from Luella Berstler, National Farmers Organization county secretary. Louella, come right on down.

STATEMENT OF MS. LUELLA BERSTLER, SECRETARY, IOWA COUNTY NATIONAL FARMERS UNION, LADORA, IOWA

Ms. BERSTLER. Senator Clark, I wish first to compliment you on calling these hearings and to thank you for the opportunity to present our views.

REVIEW OF 1973 FARM ACT

Producers responded to the call for expanded production in 1974 and will do so again in 1975. If we have good weather and the necessary fuels and fertilizers, I am confident the public need not fear any shortage of food and fiber in this country.

It seems inevitable, however, given the unpredictability of prices in the economic chaos that threatens this country and the enormous demands for capital to meet our energy requirements, that production will again surpass what the market will take at reasonable prices. When production slightly exceeds the amount required for domestic use, exports, and a modest quantity in the pipelines of normal trade, our prices for cotton and grain will decline rapidly. This was demonstrated many times in years past—it happened specifically in livestock and dairy production in 1973 and 1974. Both grain and cotton prices have weakened recently.

Nevertheless, farmers want to produce when there is some chance that fair prices will prevail. In coming before you on behalf of the members of the NFO, I do not ask that you underwrite a profit on our production. We do not even ask that you extend price supports to all the production contemplated. There is an obligation, however, to update the program and let the public share the risk of loss on that production clearly required to meet the national requirements—and we believe that large number of nonfarm people have come to understand this.

Unfortunately, the sound principles first drafted in the 1973 act were compromised in the legislative process. The severe increase in cost of all production components since that time have further reduced the effectiveness of the program, if and when its provisions are needed to stabilize production and prices. Consequently, the Congress is urged to correct these inequities and pass a strong bill.

ACCEPTABILITY OF PROGRAM TO PRODUCERS

In order for a farm program to be effective in the public interest, it must be so designed that a large proportion of producers will participate when that is needed. Various tools, including marketing

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quotas, allotments, payments on retired acreage, loans on commodities withheld from market and compensatory payments to make up price deficiencies, have been tried over the past 40 years.

Under the 1973 act, as in legislation passed in the 1960's, we must rely on voluntary participation, loans and payments that are carefully limited to a part of production to get results. Now if prices fall rapidly in response to expanded production and we are forced to rely upon loans alone, there would be too much temptation for producers to stay out of the program and be free riders. Under those circumstances overproduction would be dumped on the market by nonparticipants; those in the program would use the loans and deliver commodities to CCC in large quantities. Excessive supplies would build up and the market would be frozen at slightly below the loan rate level.

We favor continuation of a program based on allotments, loans and the use of payments to encourage participation. In this manner you can attain the most effective influence on stability of supply and price at the lowest cost to the taxpayer. More detailed recommendations are offered later to carry out this concept.

THE PUBLIC INTEREST

We have been most impressed with the manner in which elected leaders in many consumer groups recently have approached the issue centering on food supplies and prices in this country. They have demonstrated an eager willingness to exchange viewpoints and concern with producer groups regarding food production, marketing and pricing. This spirit of thoughtful cooperation was underscored recently in a consumer-farmer conference in Washington, sponsored by the Consumer Federation of America. We were glad to participate and sincerely believe that the recommendations offered today will be mutually beneficial to both consumers and producers.

COST OF PRODUCTION

The 1973 act requires USDA personnel to assemble data and provide current indicators on the cost of producing the major farm commodities. Such data will not be available until later in 1975. Some of the land grant universities and other organizations are engaged in similar calculations.

In order to have some guidance for our recommendations to this committee, a simple questionnaire was sent to a number of NFO members to ask for their costs on a few items.

These questionnaires went to 25 NFO farmers in 17 States on January 17 and responses are in hand from 20 as this testimony is prepared.

Basic data descriptive of respondents:

	Range	Average
Farmland, acres	195 to 5,220	1,070
Cropland, acres	174 to 1,560	683

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Their estimates of cost of production in 1974, exclusive of any return or charge for management, are summarized as follows:

	Range	Average
Wheat, bushel	$3.11 to $4.90	$4.10
Corn, bushel	$1.62 to $3.18	2.30
Barley, bushel	$2.70 to $4.05	2.66
Soybeans	$3.52 to $7.17	5.70
Hogs, hundredweight	$36.50 to $47.50	42.16
Feeder cattle, hundredweight	$40.20 to $44.08	43.46

Although a wide area was covered, the number is admittedly too small to constitute a proper statistical sample; however, it is emphasized that these numbers illustrate what producers actually face in modern day farming expenses. Droughts and other unexpected factors run up the costs per unit for many producers each year.

Those surveyed were asked to base their responses on actual records and I am confident that they were generally able to do so. For the following high-volume items specific data were requested to illustrate the exceptional rise in costs experienced during 1974.

[Average price and percentage change over previous years]

	1973	1974	1975
Diesel fuel, cents per gallon	18.9	33.5(77)	36.4(8.3)
Nitrogen, cents per pound N	.0871	.1716(97)	.2225(28.7)

The 1975 prices are local dealer quotations right now. They may advance rapidly in some areas as planting time draws near. Quotations on common mixed fertilizers parallel the quotes on nitrogen in spite of some industry reports that the supply problems were less difficult on phosphorus and potash.

This discussion of costs is brief—it does not pretend to encompass the whole question of inflated cost of production. It does, however, demonstrate the absolute necessity of increasing target prices to more nearly reflect cost of production if we are to be assured of continued high production of these leading farm commodities.

PRICE SUPPORT RECOMMENDATIONS

It is recommended that the established prices now set in the 1974 Farm Act be increased as follows, and that the loan rates be set at 85 percent of the established price:

	Target price	Loan rate
Wheat	$3.80	$3.25
Corn	2.50	2.15
Cotton	.68	.58

These recommendations assume:

That the cost of production index provisions would remain in the law and become effective in 1976.

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That costs of production and the parity level will continue to rise in 1975.

That establised prices and loan rates for other feed grains would be set at levels reflecting equivalent feed values and traditional market relationships.

That nonrecourse loans on grain and cotton will continue to be offered to producers as they have been in the past.

The proposed target price levels are approximately 90 percent of parity as of December 1974. They are quite modest in comparison with market prices that have prevailed in recent months and are slightly less than the cost of production that will probably prevail on most efficient farm units in 1975.

Furthermore, if target prices had been established at levels contemplated in your committee since early 1974—$3, $2 and 50 cents for wheat, corn, and cotton, respectively—and had the cost of production index been made to apply for the 1975 crop as was proposed by your committee in 1973, the resulting target prices would approximate those proposed above.

Loan rates will establish the market when excessive stocks are available. Our recommendation that these rates be approximately 85 percent of the target prices is designed to reduce the dollar obligation for the Government if and when the program is actually operating.

ADJUSTMENT OF ALLOTMENTS

The current farm allotments and yields set for purposes of payment when such payments are required, are based on determinations first made under the 1961 act and brought forward in subsequent programs. Some of them are substantially out of line with current production patterns. It is recommended that allotments established at the State, county, and farm level commencing with the 1976 program, be adjusted to reflect history of production in a recent base period. For example, 1972, 1973, and 1974 acreage planted would be more representative of present production patterns and assure equitable treatment of producers in various States.

A year ago producers were urged by the USDA to plant fence to fence, and they did, in the face of astonishing increases in the costs of all production items. In some areas drought and flood disasters brought them face to face with the provisions of the Agricultural Act of 1973. Diaster payments were based on their farm acreage allotments. If you want the program to encourage grain production and to protect producers, distribution of the national allotment should be based on current patterns. If some producers are not going to grow grain because their methods of operation have changed, then they should not be offered outdated allotments. Continuing to do so, only distorts the application of the program and invites unnecessary criticism.

REINSTATEMENT OF LOANS

On November 27, 1974, the Secretary of Agriculture announced that certain commodities—soybeans—would not be eligible for CCC loans in 1975. It was stated at the time of the announcement that the withdrawal of these price supports would contribute to some economy in administrative expense. This seems to be a lame excuse, at best.

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We recommend that soybeans be added to the list of commodities on which price support loans are mandatory, beginning with the 1975 crop.

DAIRY

The 1973 act increased the minimum price support for milk from 75 to 80 percent of parity. This new level expires on April 1, 1975, and the minimum reverts to 75 percent. The maximum authorized by law is 90 percent of parity.

The 93d Congress passed a bill to raise the milk support level to 85 percent of parity, a bill vetoed by President Ford on January 3. Following the veto, Secretary Butz raised the support to 80 percent of current parity, or $7.24 per hundredweight.

In December 1973, dairy farmers receive $7.94 per hundredweight for manufacturing milk; in December 1974, they received an average of $6.57 per hundredweight. In that year, production costs for dairy farmers had increased approximately 30 percent.

Your committee plans to receive detailed testimony on the milk situation later in these hearings. There is a real threat to adequate supply of milk for consumers and to our dairymen. Therefore, I will simply state that my organizations support an increase in the minimum milk support level to 90 percent of parity, with quarterly adjustments reflecting changes in the index of prices farmers pay for production items. Hopefully, this would enable dairy farmers to meet the mounting costs that otherwise will continue to put them out of business and force this country to become dependent on foreign sources of supply for this vital group of food products.

MANAGEMENT OF STOCKS

In our 1974 national convention the delegates adopted the following resolution:

> Increase the legal minimum rates at which the CCC may release stocks accumulated through delivery of grain under the loan program to the domestic market. If stocks so accumulated are to be regarded as a safeguard for the public against shortage in a time of disaster, a major portion of such stocks should be carried on the farms and at public expense.

There are certain inescapable conclusions to be considered in resolving the controversy that has developed over the control of exports and maintenance of adequate supplies for our own people. Specifically, these considerations are that:

It would be harmful to the consuming public to undertake the purchase of stocks at a time when prices are above parity;

Producers do not trust uncontrolled decisions of a political officer in the executive branch on when to sell such stocks as may be held by the CCC;

Large proportions of soybeans and feed grains now move in export channels. These markets must remain open in the national interest.

It is recommended that the minimum release on CCC stocks of grains and soybeans to the domestic market, or to American companies for export disposition, be established at a level above parity at the time of actual delivery.

Thank you for this opportunity to present our views.

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Senator CLARK. You are pretty concise, too. Well, let me try to ask you three or four questions to that aim. What does that survey, in your judgment—just put in your own words—really mean as far as giving us any advice as concerns what kind of a farm bill to write?

Ms. BERSTLER. Well, I think really that it all boils down to just that the target prices should be set so as to more realistically reflect the cost of production to the farmers. And I think that the nonparticipants—you know that in past years the price of our commodities, with few exceptions—there has been exceptions where we have gotten more, but usually the target price is about the price that our commodities sell for. And I think that—I have here the target price on wheat would be $3.80, with a loan rate of $3.25. On corn—you said the House had passed it at $2.25?

Senator CLARK. We——

Ms. BERSTLER. Yes, this would be $2.50 with a loan rate of $2.15, instead of $1.80 I think the House——

Senator CLARK. $1.87.

Mr. BERSTLER. $1.87. And for cotton I have it—we're not too concerned in this area with cotton. Another thing, too I would like to say, you were talking about the allotments being set up on—10 years ago. I too think that this should be changed to represent the current pattern of farming in today's agriculture, like 1972, 1973, and 1974.

Senator CLARKE. So that you get the average yield.

Ms. BERSTLER. So that you get the current farming patterns in today's economy.

Senator CLARK. I think that certainly makes sense to me. It may well be that you don't want to just take 1 year. Last year, for example, we had an 80-bushel average, so you don't necessarily want to take that. Or what was the year we had the farm blight—1971, wasn't it? Where again, we had a very low average, so you may want to try to adjust it to that same way. That makes sense to me.

Ms. BERSTLER. Last year I think that the droughts and the floods brought many of us right face to face with what this 1973 act is, and I think that it should be updated. We maybe wouldn't want to use 1974 because we did have this drought, and I think it did bring us right face to face with what this act really is.

Senator CLARK. Right. I think it really tested the diaster provisions.

Ms. BERSTLER. Yes.

Senator CLARK. Thank you very much for coming up to testify. We appreciate it. The next witness is Mr. Boyd Kimberly, who is speaking in place of the scheduled witness, James Shaw, of Maxwell, Iowa.

STATEMENT OF BOYD KIMBERLY, MAXWELL, IOWA

Mr. KIMBERLY. I am Boyd Kimberly, and I am here instead of Mr. Shaw. He has asked me to speak in place of him.

Senator CLARK. And you are speaking for yourself, aren't you?

Mr. KIMBERLY. Yes.

Senator CLARK. That's good. You give us your name and address, and then just proceed in any way you think you will feel comfortable. After you are finished, we would like to ask you some questions.

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I did just want to introduce John Taylor, who is at my right. who is the farm expert for Senator Adlai Stevenson in Illinois. We have many people here from Illinois who are going to be testifying. And also, he is a Springfield farmer. We are glad to have you here, John. We are going to be hearing from some people from Illinois who have given a good deal of thought to this bill. So with that, you just go ahead with your testimony, Boyd.

Mr. KIMBERLY. I heard about this meeting sort of late—quarter of eight this morning—and I'm sure if this meeting had been advertised on the front page of our newspaper, this meeting would have been full today.

I'm Boyd Kimberly from Maxwell, Iowa, and I am a concerned farmer, that is concerned with overproduction in our Nation today. Our Secretary of Agriculture, our Government, has said that we need to go all overproduction—we've got to produce, produce, produce. Now, we know we had a 24 percent reduction in our total crop bushels this year. And we seem to have a surplus. In my own mind I can't see where we as farmers can exist if we go ahead with what the USDA wants us to do. Now, I have been working with our local elevator, the Enterprise Elevator out at Ankeny, Iowa. We took these names off of their books and contacted a lot of farmers, a big percentage of these farmers. And these are some of the things we came up with.

First, we would like to see the monitoring controls taken off and taken off now, because the time that started was the time our prices started to go down.

I'm a cattle feeder. I fed cattle for 31 years, and I lost a large sum of money in 1974 when I sold my cattle. And I can see the handwriting on the wall for the grain farmers. The Government stepped in and they froze the beef price, and from that time on prices went down, down, down, and they haven't stopped yet. And they're at a catastrope now. And the grain prices are headed that way, because the Government stepped in and stopped our exports. This is one of the things we farmers have strived for, is the export market. We're the most efficient producers on the whole planet. And if they want food, and if they want grain, and if they give us an incentive, we'll have it sticking out their ears.

And I think the American farmer is being played for a big fool. It's time that we farmers wake up and find out we can't vote them out, but we might be able to do something else.

Another thing we're advocating is that we cut our production of corn and beans by 10 percent or more. And I want to show Senator Clark the names that I have from our local elevator. These men are ready to do this. In fact, many of these farmers we called on are ready to cut 10 and 20 percent. One lady said—and she's a land lady—she said, "If it means something, I'll leave my whole farm lay out of production." Now, I don't think that the world and the USDA is ready for farmers to get into that condition. But there is some of them getting ready, and getting fed up with this business of the Government continually entering into this and causing us to take these deflated prices.

And I'm not ready for the USDA's 70 percent of parity like they stuck down our throats for years and years.

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Then, this is up to the individual—there is a big movement on to cancel all new machinery. And out of this one elevator—and we didn't ask these farmers that we contacted if they were going to do this, but voluntarily they told us. There is two big new John Deere tractors that's been canceled. One man, his bill came to $14,000 on different machinery he canceled that. And we're canceling a $34,000 combine. Now I don't know whether you think that's going to mean anything to the economy or not, but I think it will, and it should get somebody awake to these low prices. Some of these farmers are doing it out of revolt; some of them are doing it because they have to do it. These grain prices have got way down to where there's nothing left in them.

Another thing, a lot of the farmers are cutting back on their fertilizer bill. We are. We're going down to 80 units of nitrogen on our fertilizer bill. And if they all do that, that's going to make a big impact on the production in this Nation.

This movement is stronger than a lot of people realize. We are going to stick by this cutback, because once the crop is in, they use this as a leverage over our heads, and they're going to kill us as farmers. I'm not worried about the fall in the market right now. I'm worried about next year. That's what I'm worried and concerned about. And in this one area the names that we have here constitute a cutback of between 7,000 and 9,000 acres out of this Enterprise Elevator, his customers. And we didn't get all of them contacted.

Senator CLARK. And incidentally, if you have their permission, I feel they wouldn't mind, we would like to make that a part of the record, although that is entirely up to you.

Mr. KIMBERLY. I think that would be all right. Another thing we have a complaint about—I understand—our elevator says when the grain leaves here from the elevator, it has 2 percent foreign material; when the big grain companies get it, and it leaves—and these can be off the record or on, and I do not understand this that it is around 12 percent. Somewhere our good grain that we raise and take pride in is picking up 10 percent worth of foreign material between us and where it's shipped at. And that in turn gives the American farmers a bad name. And we don't like that, because we are proud of what we raise.

We had a meeting here at the Ramada Inn, we had men from—a big group of men drove in from two parts of Nebraska, 400 miles. Men from Illinois were here. Sioux City was here. He said there was one big farmer up there canceled $39,000 worth of fertilizer last week. They called me out of the meeting. A guy from Montana was on the telephone and said, "I didn't hear about your meeting in time or I would have flown there." They're interested in cutting back. Dumas, Tex., called. They're interested. I think the farmers have decided he's going to be proud enough of his business that he is going to do something, and we're not going to raise this crop for them to fool with.

At a quarter of eight, what kind of notes can you get? And I spoke without any notes.

Senator CLARK. You're doing pretty well; glad we didn't give you overnight.

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Mr. KIMBERLY. But you might say a cattle feeder, what does it mean to you? I fed cattle for 31 years. In the 31 years I fed cattle, cheap grain has made cheap hogs and cattle. And my friends, you're coming right to 18-cent hogs and 22- to 25-cent cattle. And just mark my word as well as you're sitting here, this is going to come true, and the price is going to get beat down on us until we're defeated again with this 70 percent stuff. And I don't know whether it's good for Government to be in it or not, but I think it's about time that the big grain companies and the USDA gets out of bed. These big grain companies know what's going on before we do.

Now some of these figures will show it, so I'm not going to go into that, but I want to thank Senator Clark. I think we have a guy here that's doing something for us. And I'll tell you, Republican, Democrat or Independent, I think we need to get behind these kind of men and appreciate them. Because they really are trying to do something for us. They're out here trying to find what it is we need. I really appreciate it, and we want you to keep up the good work.

Senator CLARK. Thank you very much. I'm glad we didn't cut you off before you got that last part in. He wanted to ring the bell over here and I wouldn't let him.

Mr. KIMBERLY. Good.

Senator CLARK. I appreciate very much your coming here. Just a couple of things. One, I think it's quite true that cutbacks in orders for farm machinery is already having a very significant effect.

These two young women from Dubuque who are helping us with the recording are in fact from a city where they have already laid off, at John Deere's plant there, I think about 800 or 900 people. So it's something that I think is beginning to concern people in farm implements as well. I was interested in your comments on monitoring. I went to Japan early in January and met with a number of agricultural people there to discuss the impact of the soybean embargo. And it's difficult for people in this country to realize the impact that embargo had, and the permanent effect it had on their attitudes. I knew it was great, but you don't begin to understand the real impact until you start talking to people.

I remember for example that the speaker of the upper house—it's called the Diet in Japan—talked for the entire 15 minutes leading up to that one point about the soybean embargo. He started out by saying, "I remember after the war, right after the war in 1945 I had to walk 35 miles just to get basic food for my family to live for another day—" He went all through this and ended up by saying, "That's what you're doing to us when you do this. And when we have contracts with you, you break that contract." Of course, when you realize that 60 percent of all the food that comes into Japan does come from abroad. You can see how dependent they are on us as a regular supplier. So I think this whole question of export controls, whether you are talking about monitoring on one hand, or embargo on the other, is one that really should be looked at very carefully to see if we can't find some reasonable way to be sure that we have a minimum supply on hand, and not have to exercise the export controls, monitoring and embargo.

The other thing I wanted to say was that you mentioned in passing at the end that the relationship between the grain companies and

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the USDA, which is something that many of us have been very interested in. I just wanted to get on record here the fact that we have asked the General Accounting Office to do a study. The General Accounting Office, as you know, is sort of the investigative arm of the Congress. We have asked them to do a thorough study of the Department of Agriculture, people at the highest level, to try to establish—over the last several years, not just the last year or two or three, over the last several years—what the relationship of those two have been; people that have come out of the grain companies into the Department, or out of the Department back to the grain companies, the back and forth, and what that relationship has been. Now I know of a number of outstanding cases that we are all aware of where that has occurred, but I would like to see how big that problem really is. I think that when you realize that the trade is so heavily dependent upon USDA policies, so closely related to each decision that's made, then you realize the problems of that kind of a relationship.

Mr. KIMBERLY. That's just what we're finding out.

Senator CLARK. So I'm anxious to get that report and get something on record that really would establish once and for all, for better or for worse, what that relationship is. I've had occasion to ask Secretary Butz about it on the record, and to get his defense of it, but I think it's important that we get established just exactly what that relationship is. It does not look like a healthy one to me.

Now the last thing I wanted to ask you is, what in your judgment should we do about target prices and the loan rates? What's your own judgment? Do you have any opinion on that, Do you think we ought to continue those programs, and if so, at what level,

Mr. KIMBERLY. Government has kept me in such a depressed state for 20 years that I hate to say this—but I guess they are necessary—I don't know about the protection. It is not for the overproduction. If the Government would guarantee us to keep their hands out of things. I think we could make it without anybody, but they will not guarantee it. If they do, they will break their promise to us. So I guess we are going to have to have target prices. It would be real good to let the efficient farmer manage his own business, but I don't think they will let us. We got more things than most other places in this world. You have to have water. You have to have air. And you have to have food. It seems all they worry about is all-out production so the farmer will produce cheap food and drive down the prices. My thinking on this is that if the American farmers get organized, that will be quite a thing for this world to see, I believe. I definitely believe in this, and I believe it is going to work. If this would be tested in our community out there, I think I have got 170 to 200 names here, and I would just—let them worry. I got on the telephone this morning and called everybody I knew. Nobody knew about this meeting. I got a load of soybeans coming up. It may be that you didn't want us here, you know.

Senator CALRK. No, no, we sent those notices to all of the media.

Mr. KIMBERLY. I just wish our news media would put this on the front page, because whether you believe it or not, some of our farmers are busy. We don't get all the newspapers read, and so in turn if it is on the back pages—and I would like to stress this to the news

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media, that when an important man comes at a critical time, the interested farmers should know about it. And they must know about it right away.

Senator CLARK. Thank you very much for coming up.

Mr. KIMBERLY. Thank you, Senator.

Senator CLARK. Would Mr. Oakleigh Adkins come up, please. Mr. Adkins, your address is rural route 2, Chandlersville, Ill. Do you have a statement, Mr. Adkins.

STATEMENT OF OAKLEIGH R. ADKINS, JR., CHANDLERVILLE, ILL.

Mr. ADKINS. Yes, I do.

Senator CLARK. Well, sir; you go right ahead.

Mr. ADKINS. You asked me in Illinois to put it in writing.

Senator CLARK. That's right.

Mr. ADKINS. I did put it in writing, but I am afraid that 10 minutes is not sufficient.

Senator CLARK. Since you came so far, we will let you go beyond that just a little. Seeing that you had to make a special effort to come over from where you live in southern Illinois——

Mr. ADKINS. Central.

Senator CLARK. Central?

Mr. ADKINS. Yes, sir. Just a little north of central, I believe.

Senator CLARK. Proceed, please.

Mr. ADKINS. Mr. Chairman, members of the Senate Committee on Agriculture and Forestry: My name is Oakleigh R. Adkins, Jr., but I'm more informally known as "Stony," a central Illinois grain farmer.

I appreciate the opportunity of testifying before this committee as an individual farmer, which proves the great opportunities our democratic system provides.

With our national agricultural population in a severe economic disaster and our international food supply in distress, I, humbly, forward to you my ideas of formulating a national food policy long needed prior to an energy policy. Economic stimuli cannot be provided by isolated wars because American blood shed on foreign soil is not acceptable to the American philosophy. In due respect, economic stimuli cannot be initiated by false creation of shortages in food conditions.

In the spring of 1973, the American public was informed that they should stock their freezers with meat because of a stipulated shortage. Government froze cattle prices and removed import quotas and tariffs on meat. In 60 days, after the removal of these restrictions, cattle feeders were in economic disaster. In the fall of 1973, a voluntary embargo on soybeans was established which questioned our credibility with all foreign countries and caused Japan to invest capital in Brazil for an additional source of supply. In 1974, Brazil harvested 290 million bushels of soybeans, up 58 percent from 1973; and now, in April 1975, Brazil will begin harvesting a crop of 352 million bushels, 21 percent over 1974. Again, in 1975, we saw voluntary embargoes and current grain monitoring. These were probably some of the factors which led Amoco to sign an agreement with

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Libya for an asphalt moisture barrier on thousands of acres of marginal ground. This experimental process was used on my farm and I am showing a 20-percent increase in production on nonirrigated worthless sand ground. In 1974, this barrier was installed under 80 acres of a 160-acre irrigated field. The first test of the irrigated land will come in 1975 under a double cropping system. Some experts say that these conditions will not affect our exports, but the Brazilian situation is already, now, affecting soybean prices in the United States. Exported agricultural products equalize our balance of payments in relationship to oil imports; but, if the price of these agricultural exports are reduced, so does our deficiency in our balance of payments. Armaments cannot replace this situation because, over several decades, these armaments came back to us in pieces, all too often in the bodies of our loved ones in caskets.

Farmers, nationwide, in 1974 cotton and feed grains' production, put 100 percent costs into a crop that only gave them a 67-percent return in national averaging production. This was due partly to a weather factor; farmers then took another 20 percent reduction in price, in the case of cotton—50 percent. The current cost situation, in 1975, will cause production cuts due to fuel, fertilizer, herbicide, and other costs. This means that a slowdown of a $400 million industry will only add 450,000 more unemployed in the already depressed UAW and the industries for which they work. But what better lobby does the farmer have than agricultural machinery manufacturers, UAW, fertilizer manufacturers and herbicide manufacturers?

STEP I

The above situation can be easily relieved by adequate, annual, computed target prices for cotton, feed grains or other commodities. From this point, to establish simplicity, I will deal only with feed grains. In 1974, some experts said farmers used poor marketing policy. Gentlemen, how do you sell June-planted corn and beans that have been frost damaged? Until the farmer knew what grade he had, he needed all the good grain available on his farm to mix with the frost damaged grain, in order to make it of a marketable grade. If the farmer had had target prices, the voluntary export control and current grain monitoring would not have hurt him so badly. Because of the farmers' mortal fear of a depression, target prices would have given him the confidence to hold, instead of dumping, his grain. This dumping of grain only had a further depressing effect on our markets. A target price, in 1975, should not include a land charge as a factor in computations, due to the wide variations in land values. Also, the public tax dollar should only be used to assure the farmer to produce an adequate food supply without certain bankruptcy, not to guarantee him a payment to improve his profit position or increase his equity. In my projections for cost inputs on the 1975 crops, it will be $2.10 per bushel for corn, $5.25 per bushel for soybeans and $3.10 per bushel for wheat.

Gentlemen, the above target prices are projected on a basis of cost accounting records computed on a per acre and per bushel data from my farm and a President's energy program, which will only escalate fuel, fertilizer, herbicide, and insecticide prices. On February 3, 1975,

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the Honorable Hubert H. Humphrey stated in his report before this committee: "Everyone is aware of the economic importance of the $77 billion automobile industry. However, agriculture—which accounts for over $400 billion in our economy—is often neglected in terms of its importance to the economy."

STEP II

If U.S. agriculture is not faced with a weather factor in 1975, a bountiful harvest can spell disaster for the farmer because Federal grain monitoring has caused our export buyers to seek other sources of supply; plus the fact that since this country is in a recession, on the brink of a depression, domestic food and feed use will be down. From the past years, we have learned that stability in world agriculture can only be attained when there is assurance of no scarcity. But, farmers, also over the past decades, have knowledge of the depressing effect to prices by a large corporate or Government grain reserve. History has proven that farmers get into economic distress in a Republican administration, that the Democrats then initiate programs to bail the farmers out of this economic distress; and then, a few years later, find these same programs operating in an atmosphere of dispute and resentment because these same programs are controlled by Government bureaucracy.

In 1975, a 2-billion-bushel wheat crop or a 6-billion-bushel corn crop should make it necessary to put 20 percent of this production into a food bank. Due to the experiences of the past four decades, we have learned:

A. Corporate and Government grain reserves have a depressing effect on market prices.

B. The tremendous cost to the U.S. taxpayer to move this grain from the farm to the terminal, then, to the warehouse and then, back to the terminal.

C. The tremendous cost to the U.S. taxpayer for the spoilage that occurred in these large bins primarily from lack of management.

D. The tremendous cost to the U.S. taxpayer for the use of this program in give-away programs.

To alleviate the above problems, I urge the Agriculture Committee to write into an agricultural act this food bank or grain reserve which should be stored 100 percent on the American farm, for the following reasons:

A. This food bank would be for domestic use, first, in case of severe weather reduction in domestic productions. If no national weather adversity, then this food bank would be available to export markets; but, in order to maintain quality, the food bank would be available in any one of the next 5 year's. Grain would be available from geographic areas alternately from east of the Mississippi River and west of the Mississippi River. The food bank would then retain correct quality and would not have a depressing effect on the markets by the act of dumping the whole bank. In this way, as each geographic area is released, there would be the other part of the geographic area holding reserves to maintain stability. If an announcement of release is made, a farmer would be obligated to refill the food bank in required bushels from the next harvested crop or not receive the food

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bank storage and handling income. By doing this, under proper supervision as set up in step IV, by geographic areas, the farmer would not find it necessary to replace the food bank in a year of a wheat crop less than 2 million bushels or a corn crop less than 6 billion bushels.

B. On-the-farm storage would require the farmer to maintain quality and quantity for the guarantee of an annual or monthly payment of the normal warehouse rate per bushel for storing the grain, and handling the grain in and out of the storage structure. Common sense and experience have proven that individual management and widely scattered storage reduce the risk of spoilage and insect damage.

C. The present Agricultural Stabilization and Conservation Service grain storage facility program would be adequate for the farmer to secure credit to build any additional grain structure needed. However, the present interest rate is prohibitive. The payments made to many farmers for the storage of the food bank would be far more understood by the public rather than one huge payment to a corporate or Federal warehouse.

D. This type of program would cause more money to be put into our economy much faster to help employment and increase our gross national product by a storage program. The farmer will spend money if he has it. In this case, 80 percent of our annual production of agricultural feed grains would be going through normal marketing channels. In years of nonfood bank replacement, 100 percent would go to the marketing channels.

E. The grain farmer would then have a supplemental business which, during agricultural economic cycles, would prevent or discourage him from going into the livestock business, to supplement his income during low grain prices. The livestock farmer would store most of his grain to feed, but, during a crop stress year, his additional supply of grain could be bought from the local food bank. This would save him tremendous handling and transportation costs because the food bank would be held in local storage on the farm. The main objective would be to put agriculture on a course of economic growth to achieve a do-it-yourself concept until someday, we reach a condition of a free market system if allowed to work. To do this, farmers must be given the marketing tools to vertically integrate themselves into self sufficience. The farmer, who lived under 43 years of controls, then entertained a severe weather, an international oil boycott—which affects farmers many ways economically—domestic inflation, international starvation, and voluntary embargoes with grain monitoring. These conditions do not spell a FREE MARKET SYSTEM.

STEP III

In order to fully implement the food bank, a service organization such as the ASCS, with its full nationwide offices, would accomplish a full step in a marketing tool, promoting a national and international food policy. The ASCS would perform the following functions:

A. Its elected farmer officers, in each county, would verify the quantity and sample each farmer's quality of grain in his food bank and grade it individually for inspection at the county office. A

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composite sample would be sent to the ASCS State office from each county as to grade, quality, and quantity. The State office would then send an inventory of the State's food bank, in written form, to the USDA.

B. If, at some time during the 5-year period of geographic recirculating of the food bank, the grain is not needed for domestic use, then, the American farmer would be released via ASCS to deal or sell the food bank to a free, foreign country or a country acceptable to our policy, foreign and domestic. This would permit the foreign buyer to come to the State ASCS office to inspect the grain he is buying; or, if he wants a particular grade, he could inspect the individual samples at the county ASCS office. In time, the farmer would become more knowledgeable of the premium for No. 1 grade and could have a foreign buyer at his particular bin site to negotiate a sale of a premium grade.

C. The foreign country buyer could then select the grain company of his choice to which the product would be delivered.

D. If a more frequent geographic replacement of the food bank could be accomplished, the farmer would be in a position to protect his annual cost of production by selling on a bonafide contract instead of hedging his crops and ending up, paying margins in case of a fluctuating market.

E. In years to come, this system of buying and selling would promote friendly foreign relations.

F. The communist countries could buy their grain from 80 percent of the crop that goes through normal marketing channels, or, if the food bank is adequate in size, these countries could be permitted to buy out of the food bank.

G. County ASCS offices would require each farmer to report his planted acreage by July 15 for preservation of his own farm allotment. After Federal announcement of a food bank, the county ACSC office would have, on record, the farms and their planted acres of crops to be included in the food bank. This still would give the farmer his independent privilege of planting any crop he desires. The food bank crops would be identified by the county ASCS officers. The ASCS would take the reported acreage for the food bank crops, times the farm's normal yield, times 20 percent, to get individual food bank eligibility. If farm producers decide against the food bank, then, the other producers of that farm have first option; and, in case of total refusal, the ASCS county committee would allocate that particular farm eligibility to other farmers in the county.

STEP IV

The implement steps I, II, and III, there is a strong need to write into the 1975 Agricultural Act that the State ASCS Chairman of all States in the Union would, in conjunction with the Secretary of Agriculture, perform the following:

A. Establish and announce annual target prices for agricultural products prior to January 31, annually.

B. Establish the size of the food bank for the next year.

C. In case of a 2-billion-bushel wheat crop and 6-billion-bushel corn crop, the establishment of a 20 percent food bank based on the above figures.

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D. Upon the implementation of the food bank, the 1975 Agricultural Act would eliminate the need for voluntary embargoes and grain monitoring.

E. With the food bank implemented, in 1976, if 80 percent of the 1975 crops listed in the food bank are not clearing through normal marketing channels, then, a 20 percent land reserve should be established before any farmer can receive target prices and participate in the food bank.

F. Each State ASCS chairman would be responsible to see that each foreign buyer was able to deal directly with the individual farmer upon the release of the food bank to export markets. This would likewise apply to the livestock farmer, in case of a domestic weather crisis and the need for grain is critical.

STEP V

There is a drastic need for the 1975 Agricultural Act to:

A. Establish an International Monetary Food Fund out of, or, amending Public Law 480.

1. This would give a place for starving and economically impoverished nations to borrow the money and, with pride, bid for the grain they need in our food bank, when properly released.

2. We fed an army in World War II, not on hot meals but with C-rations. We sent astronauts into space for weeks without hot meals but nourishing food. This International Food Fund would also give these deprived countries the ability to buy this form of food for curing their starving populated areas.

I feel the Food Stamp and School Lunch programs are areas to be reviewed in times when unemployment is not so high. As a veteran, I cannot find one good, plausible or Christian reason for a United States man, woman, or child starving.

The economic plight of the young farmers of this nation is very serious. Without a National or International Food Policy, we cannot make our profession a youthful, energetic group to meet the food crisis of the 1980's, which will make the oil crisis look like a picnic.

I hope this individual paper will be deserving of questions from this committee. Thank you.

Senator CLARK. Thank you very much, Mr. Adkins. I think it is a very, very carefully thought-through position, and one that this committee ought to take very seriously. I say that because it has a number of very interesting ideas in it that I think our committee has not heard before. I certainly want to compliment you on taking the time and the work that you have put into this on behalf of yourself and the Illinois farmers that you represent as well.

Mr. ADKINS. I represent Oakleigh Adkins.

Senator CLARK. I understand that, but I do know that you have worked with a number of farmers in central Illinois and have gotten some input from others as well. We appreciate your taking the time, and I would like to thank you. I would like to ask of couple of questions, by way of getting to our writing this farm bill. We are about a week away from starting to write the bill. What is your reaction in terms of what you think we can do about target prices? I am speaking of corn now, a target price of $2.25, a loan rate of $1.87. Now, what is your opinion on that?

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Mr. ADKINS. Well sir, the price is—it is the minimum that I could come up with on my farm. Now I am concerned about the House Committee, because we are all represented by representatives at large in our State. We are also concerned about the congressional committee.

Senator CLARK. The House Committee?

Mr. ADKINS. The House Committee, yes, sir.

Senator CLARK. And we feel that restrictions of the agricultural knowledge is limited, so I would like to say on record at this time, as I have before, we already know that 40 percent of the 1973 wheat production is actually in storage, and we have wheat from fence post to fence post. Congress is just about 90 days away from stockpiling grain. If they come up with target prices, they will then only instigate a further planting from fence post to fence post this fall.

Mr. ADKINS. In other words, I am saying that if you are going to have an agricultural policy, you must look farther down the road than 90 days. You have to look ahead and realize that when you do have one of our greater disasters like we have been hit with recently, we run to the grain companies, of which we have five, and three of them are incorporated in other countries. We have to ask them to do that. I am saying the only sensible thing to do on storage is to have it on the farm. We have to have this in the new act before we could do it. I would love to have the opportunity to address those urban Congressmen.

Senator CLARK. We may just let you do that.

Mr. ADKINS. Thank you, sir.

Senator CLARK. Thank you very much for coming today. The next witness is Mr. James Phelan, Maxwell, Iowa. You just go right ahead, Mr. Phelan, in any way you think is appropriate. You have 10 minutes.

STATEMENT OF JAMES P. PHELAN, MAXWELL, IOWA

Mr. PHELAN. Thank you, I need it.

Senator CLARK. All right, that is what the meeting is for.

Mr. PHELAN. I don't have a lot to say, I only want to say one thing on this grain reserve and the target price.

Senator CLARK. Two good subjects.

Mr. PHELAN. I heard a lot of suggestions on the grain reserve in the last 3 months, none of which looked like anything exceptional will end up from them. Some of them seemed like just a big weapon against these farmers. I don't think there is any way that you can put a reserve of grain, and I don't care where it is—I don't think you can put it anywhere where the pressure wouldn't get too great. I just don't think you can. I think if you get 95 percent of the U.S. people that called their Senators and called our Congressmen and everybody, and they say, "You've got to do this to get our food price down," I do not think that the Congress can stand the pressure. Now maybe you can, I don't know. But I can't see where you could.

About 2 weeks ago I saw an idea which I haven't heard again, which was for a cash reserve.

Senator CLARK. How would that work?

Mr. PHELAN. Well, I don't know how that would work. As far as I'm concerned, what they're trying to do—all I heard in the last 3

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months is that they want the farmer to produce 6½ billion bushel corn crop to feed the starving people of the world. Now as far as I'm concerned, if we produce that kind of a crop, our price is going to go down 25 percent. We're just going to give our profit away if we produce this kind of a crop. And my idea is this: If the people of the United States want us to give up our profit, then I say come this fall we just tax everybody; we just put a surtax of 25 percent on every business and every person, if they think it's right to do it to us. Otherwise, I say let's do it this way: I say let's take all the people in the United States and take a 1 percent surtax, or 1 percent of their income tax or whatever—put it somewhere where it can't be touched. There's places, I presume, where you can put money where it can't be touched. And should the time arise when we would need corn, take this money and buy corn.

And at the same time, I also think you have to protect the people that when—if and when they would ever go and buy corn or wheat or whatever they need for this, that these countries don't use this against us. When it goes across to these countries, be sure it goes to the people's mouths that we're trying to give it to, instead of those going over there and then goes into the market, and finally ends up coming back at us at the back door.

And the only other thing that I had to say was on the target price. As soon as you set the target price, or as soon as the target price is set, then the fertilizer companies, and the seed corn companies and the chemical companies are going to say, okay, we're going to leave them 2 percent, and we're going to take the rest. And this is what our share of that $2.25 should be. And this is just exactly what happened when it was at $1.03; they left us about 2 cents, and they took the rest. And if you set it at $2, or if you set it at $1.87, or if you set it at $3, the same thing is going to happen. So if you're going to set it somewhere, I'm for not setting any support price. But then, that's my own personal opinion. But if you're going to set it somewhere, I think it ought to be darned high. That's all I've got to say.

Senator CLARK. OK. Let me just ask you a couple of questions. What—I'm not quite sure that I understand now when you're talking about target prices, what you specifically—target or loan?

Mr. PHELAN. Loan.

Senator CLARK. What do you think that level should be?

Mr. PHELAN. Well, this year I've got to have $3 a bushel on my 1974 crop. I can't sell my 1974 crop until I get $3 a bushel.

Senator CLARK. Why is that?

Mr. PHELAN. Because I'll lose money otherwise. Every penny below $3 a bushel is right straight out of my pocket.

Senator CLARK. It cost you $3 to produce that corn?

Mr. PHELAN. Yes, sir, with the decreasing yield that we had this year.

Senator CLARK. I see.

Mr. PHELAN. That's what I've got to get for it. So if I had to sell my corn today, you're talking about what, 80 cents a bushel under what I need. Or some $10,000.

Senator CLARK. Let me just say something on the reserve. There is no topic that is more debated or more discussed, or controversial than

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the question of the reserve. And I think what you said earlier points up why that is true. There is a great fear that whatever, any reserve on hand, whether that's in the commodity credit system, or some kind of separate grain reserve—and I find there is a lot of confusion about that, because very few people want to repeal the loan program. There are some who are advocating it, but for the most part, people do not want to do away with the Commodity Credit Corporation without some kind of loan program. Now the great surpluses that we had in the country at that time—so-called—were clearly developed under that system. They weren't developed under a grain reserve system such as you were also talking about. So the one thing we have to address ourselves to when we are worried about going back to a surplus system, is whether we do it under a commodity loan program, or whether we do it under a reserve system, unless one wants to repeal the whole commodity credit program. With that commodity loan program, obviously you have the potential of building reserves again.

But I think the real dilemma that the Congress finds itself in, the Government finds itself in, the country finds itself in—because the Government ought to be nothing but an extension of the people—is how you prevent both export monitors or export controls, with no grain reserve. In other words, what happens inevitably is that whenever you have a lot of grain—nobody's advocating controls—not even the consumers are advocating controls, on foreign countries, or anybody else. But as soon as you get down into a short period, as we did with soybeans at the time of the embargo—whenever you get down to where the supplies are beginning to come shorter, the question is: Can you potentially sell out all of the grain, or more of the grain than you really have; or are you going to put controls on, or are you going to set aside a certain amount to assure your foreign customer that you've got some products there to meet his contract? It seems to me that you're almost in the dilemma of saying we don't want any export controls, we don't want any control over that market, but we don't want any reserve assurance. Now, how can you be assured that you can fulfill a contract if you don't have one or the other of those? I think that's the dilemma and the contradiction.

Mr. PHELAN. Well, I can see your point, and I don't know—I'm no professional, I don't know how to solve it. I do think, one thing, I think these countries are buying this grain way, way too cheap. I don't have any idea what gold is worth now, but gold I assume is worth $170 or $180 or $200 an ounce. Four years ago gold was $40 and they are buying $4 soybeans laid in over there for $3.50. Now they're buying—they're really beating us, they're really getting a bargain, and we're giving it to them. I think we're letting this grain go out of the country too cheap. Now maybe there's nothing we can do about it, I don't know. That's maybe more your free market. But I can see where we would need some type of a reserve of some sort, maybe. I don't know.

Senator CLARK. Thank you very much for coming up. We appreciate it. Our next speaker is Lowell E. Gose. Lowell is the president of the Iowa Farmers Union, he runs a farm in Jefferson, Iowa. I happened to walk by it one day, so I know that's true. Lowell, proceed in any way you think appropriate.

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STATEMENT OF LOWELL E. GOSE, PRESIDENT, IOWA FARMERS UNION, JEFFERSON, IOWA

Mr. GOSE. Senator Clark, members of the committee, all the friends and people who are here; I am Lowell E. Gose, president of the Iowa Farmers Union and a farmer owning and operating 825 acres with my son near Jefferson, in Greene County, central Iowa. Our organization's members appreciate this opportunity for comment on the current farm situation and presentation of views on congressional action that would be helpful in dealing with it.

In all the years I have been farming since the middle 1930's, there has never been a situation like the one we are in now. There has never been such a wild fluctuation in commodity prices nor such fantastic escalation of farming costs. For awhile in 1973–74, our returns did run ahead of costs. Farmers were able to gain on their outstanding debt load, improve their production facilities, and also, incidentally, to send off a hefty percentage of their income to the Internal Revenue Service.

Then during the past year, the roof began to fall in. Prices of inputs—fertilizer, herbicides, insecticides, seed corn, machinery and repairs, tractor fuel, you name it—the prices of everything shot up at a sickening rate.

Meantime, despite the shortfall in 1974 production caused by weather, our main commodity prices since harvest have been going in only one direction—sharply downward, a chilling reversal of the usual seasonal trend. The high point for both corn and soybeans was reached in early October. At that time, No. 2 yellow corn at Chicago was quoted at $3.96 per bushel cash. No. 1 yellow soybeans were bringing $9.40 to $9.43 per bushel cash at representative Illinois points. By February 20, at these same market positions, No. 2 yellow corn was down to $2.88 to $2.89, a drop of $1.18 per bushel or by more than 27 percent. Soybeans were down to $5.51 to $5.61, a drop of around $3.85 per bushel or by more than 41 percent.

Cash grain prices since then have fallen even more drastically. Corn bids in central Iowa fell 32 cents per bushel during the single week ending February 22. They fell a further 21 cents during the following week, ending as of last Friday at a range of $2.28 to $2.31 per bushel. Thus the total decline for the fortnight was 53 cents per bushel or nearly 19 percent. Soybeans during this same recent fortnight dropped by $1.18 per bushel or by 20 percent.

These severe declines, insofar as I can find out, were not caused by heavy movements of corn and soybeans onto the market. I do not pretend to know what is at the bottom of such an astounding market collapse. Some of us do have our suspicions that the big traders are exaggerating the significance of such developments as the cancellation of the relatively small purchase orders by China and other countries. It really is pretty easy as yet for the big traders with all their economic clout and worldwide network of market intelligence to influence what goes on in the grain pits. It is pretty hard to believe that the big traders are not interested in scaring farmers into a mad scramble to sell to get money for new crop operations.

Farmers are being chided by some people of course, for not having been smart enough to have sold last fall at the peak. A part of the

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1974 production was sold early, directly, or for future delivery, but the idea that the market would have absorbed all of it or even half of it then is utterly ridiculous. A big increase in commitments at that time would have brought on a price slump in nothing flat. Farmers need not blame themselves for not having all sold at the peak.

What is far more important now is to consider how to counteract the consequences of this fall off of farm prices. Because of it, there will be thousands of farmers hard put this spring, either on their own or on borrowed money, to meet the expenses of producing a crop. The ones who have to borrow will be worse off, as indicated by what Assistant Secretary William Erwin said on February 20 before your Senate Agriculture Committee. Erwin reported that a telephone survey of Farmers Home Administration State directors disclosed that lenders now prefer short-term—90 day—loans renewable at current interest rates, and they have become very selective as to clientele served. Moreover, within the last 18 months, as credit tightened, sellers of farm supplies withdrew or restricted their financing activities. The Federal loan program on corn and other commodities of 1974 production is still available but the rates per bushel are so unrealisticly low, and the interest cost at 9.375 percent so high, that few farmers look on it as of much help.

I can give you an idea of the financing problem faced by corn and soybean producers this spring by citing some of the input price changes that the dealers are charging me.

One of the components I use in our herbicide mixture for corn is up 32 percent from last year. The other component in the mix is up 40 percent. At $136.50 for 5 gallons, the soybean herbicide price is up nearly 49 percent from a year ago. Spraying equipment is up 25 percent; parts are up 50 percent.

The base price for seed corn is up 40 percent but the discount for early payment this year is only one-third that of a year ago so, in effect, my actual cost is more than 56 percent higher. To top things off, I am wondering if I'll get the usual free cap with my seed corn. My local dealer tells me the hybrid company has been hit with a 360-percent increase in the cost of these caps from the initial quotation by the manufacturer only a few years ago. Meantime, the free distribution of caps has just about caused clothing stores to quit handling caps.

Farm machinery is frequently being delivered incomplete to dealers. Then I hear the manufacturers and distributors have cut the local dealers down to 5 percent, although their expenses have nearly doubled since a year ago. This explains why many dealers in turn have begun to require substantial down payments from the farmer. In such cases, the farmer is same as providing an interest-free loan to the seller. The cost of money to farmers is as high or higher than last year, even though the prime rate to big borrowers is down 2 to 2.5 percent.

Confronted by such cost terms and falling grain prices, what are the farmer's options? He could cut his input costs by buying less—falling back, for example, on the fertilizer residual still in the soil from last year's application—but if he does that, his yields will go down. He could plant less, but unless the majority of farmers do likewise, his net income most certainly will tend to be lower.

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Obviously, the most effective help for this situation would be a substantial upward amendment of the loan rates and target price supports provided by the 1973 Farm Act. If nothing is done or if the support changes are not high enough at least to cover costs, there's no telling what kind of a harvest we will have in 1975. I attended one of the several recent meetings here in the Midwest to muster support for a voluntary cut of at least 10 percent in corn acreage if nothing is done to give farmers more price assurance. Those in attendance were very fearful of the price result if there is again extensive plantings in 1975 and the corn crop overshoots 6 billion bushels with hog numbers down and drylot feeding of cattle off sharply.

It is generally felt that unless the corn loan rate is somewhat above $2 per bushel and the target price is around 90 percent of parity, there won't be much enthusiasm for planting as much corn as in 1974. Corn parity at mid-January, incidentally, was $2.94 cents per bushel. Everyone realizes that if we had had average weather last year, the fall in prices to date would have been far worse. It is also generally recognized, I believe, that with good weather, the loan rate increase I have just mentioned could result in some takeover by the Government or extended reseal in farmer hands, but some rebuilding of reserves in these ways would be desirable as a matter of prudence.

Along with a substantial revision of the supports in the 1973 Farm Act, something ought to be done about Secretary Butz's arbitrary decision last spring to leave corn silage acreage history out of the computation of corn allotments. That acreage was always included in the determination of bases in all previous crop adjustments programs. Leaving it out had the effect of shoring the payments to farmers who had disaster losses in 1974. Furthermore, if market prices during the October-February period had actually averaged below the present target price, all farmers who signed up at the county ASC offices would have been shorted similarly on any deficiency payments due.

There is another reason to be concerned about the way USDA has set allotments. Under Section 105 of the 1973 Farm Act, the Secretary is authorized through the 1977 crop to limit—if he sees fit—the acreage planted to feed grains on the farm to a percentage of the farm allotment and to pay an appropriate share of the cost of practices required on any acreage set aside to conserving use. With allotments set so low, though, holding to a full 100-percent planting of them might be a sufficient limitation and in that case, it appears no conserving practice payments would need to be made available.

Our final recommendation is that the Congress amend other provisions of agricultural law to require the Secretary of Agriculture to restore the soybean loan program for 1975 and to establish—as in the case of corn—a minimum rate of not less than 90 percent of parity. Full parity at mid-January was $6.61.

In closing, I want most earnestly to emphasize the importance of stronger Federal support of the farm economy at this time. I am not a pessimist by nature, but I must admit I have never been so apprehensive about the outlook since the dark days of the 1930's depression.

Thank you, Senator.

Senator CLARK. Thank you very much, Mr. Gose. Briefly put then, what do you feel the loan rates and the target prices for corn should be?

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Mr. Gose. Well, I really honestly think that we should have 90-percent of parity loan, and the National Farmers Union also goes along with the 90 percent of parity loan, with 100 percent of target. And there should be a reserve——

Senator Clark. A 90-percent of parity loan, and 100 percent of parity target?

Mr. Gose. Right.

Senator Clark. On all commodities?

Mr. Gose. Right.

Senator Clark. And what would that be currently?

Mr. Gose. Well, let's see, $2.94 per bushel on corn as of mid-January. And that would be 100 percent of parity target price.

Senator Clark. So you have a target price of $2.94?

Mr. Gose. Right.

Senator Clark. And the loan rate?

Mr. Gose. About 90 percent of that.

Senator Clark. Ninety percent of that. Something about $2.

Mr. Gose. We also believe that if there was a reserve created out of necessity, that this not be allowed to come back on the market at less than 110 or 115 percent of parity.

Senator Clark. But not less than 110 percent of parity if there is a reserve?

Mr. Gose. Yes. Right.

Senator Clark. Thank you very much. We appreciate your coming up.

Mr. Gose. Thank you, and I would like to add on to the gentleman's comment about your fine job of representing the Iowa farmers, and all people, for that matter.

Senator Clark. The next witness is Richard Elijah from Clarence, Iowa. Come right on down. He farms over in eastern Iowa. That's just over the line, isn't it?

STATEMENT OF RICHARD A. ELIJAH, CLARENCE, IOWA

Mr. Elijah. Right. Senator Clark, it's a privilege to be offered this opportunity to testify before your committee.

I am Dick Elijah, a farmer from Clarence, Iowa. I would like to thank you for allowing me to testify before your committee hearing.

As you know, most Iowa farmers have a philosophy of abundance and full production. With this philosophy, we can accept the responsibilities for:

1. Supplying abundant supplies of food and fiber to the American consumer at a reasonable price.
2. Provide a dependable supply of agricultural commodities to our export customer.

We can and must produce an adequate food supply for our domestic and foreign market, but this cannot be done if we have political disruption in our normal marketing pattern. Examples of disruption were:

1. Export embargoes.
2. Price controls on foods.
3. Monitoring systems.

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Export embargoes hurt us tremendously as a dependable supplier of agricultural commodities. This drove away some of our best customers, who are now seeking and finding their supplies in other countries, and because of this action we will probably never acquire the high percentage of sales in these foreign countries that we had. Needless to say this also disrupts our balance of payments.

Price controls on red meats also disrupted the normal marketing patterns which caused high meat prices to the consumer, then lower, but in another year or two may cause a real shortage of available red meat.

The monitoring system that came into existence last October 4 caused our foreign markets to look for supplies from other countries. I believe this monitoring system was responsible for at least 50 percent of the price devaluation of our corn and soybean prices since October 4. Basing this on a 4½ billion bushel corn crop and a 1.2 billion bushel soybean crop, a 100 percent devaluation on just these two commodities in the price drop is:

Corn, 5.6 billion at $1.25 drop/bushel.

Soybean, 5.1 billion at $5.25 drop/bushel.

For soybeans alone, in the last quarter, exports dropped 22 million bushels. Using $8 per bushel average for that last quarter this amounts to $176 million loss in balance of payments. When you consider a $210 million deficit in balance of payments in just January 1975, a person has to realize the enormous contribution agricultural exports make to our balance of payments.

When we look at the tariffs on oil and projected the added production costs, even though as proposed, a rebate on fuel to the farmer, the administration is not taking into consideration the additional fertilizer costs or drying costs. Are they also going to rebate commercial elevator drying costs on fuel?

For these reasons stated, I believe that it is an absolute necessity that a position of Special Assistant for Food and Fiber to the President be appointed.

At this time of reversed economics with a shortage of food worldwide, and commodity prices dropping drastically, the Government and consumers are demanding cheaper food by emphasizing all out production. We apparently have a surplus of oil worldwide, and our fuel, oil, and fertilizer prices are rising.

Therefore, it is my belief that the grain reserve, loan rate, and target prices should be combined into one bill. The reasons for that are numerous. For example, this would eliminate the necessity of the U.S. taxpayer paying billions of dollars for the purchase of the actual commodities, storage, and labor costs.

The Congressional Record states that if we would have implemented the SGRB in 1971, it would have cost $1,683 million to acquire the grain, $210 million to store it, plus $2,050 million in direct payments under the program. These costs were based on 1971 prices and money.

Since 1971 storage capacity for just soybeans has increased 304 million bushels on farm storage. Off farm storage increased from 491 million bushels in 1974.

Another fact is that one out of every eight farm jobs depend on exports. In fiscal 1973 more than 450,000 people had jobs directly

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related to exports. Because of exports, Government farm program payments dropped from $4 billion in 1972 to $800 million in 1974.

USDA economists also realize that in 1973, because of exports, consumer spending for food went up $21.75 per person, but also showed a gross income gain of $44 per person for a net return or profit of $22.63 per person.

I would propose that the SGR, the target, and support pricing system be changed to a loan level basis, and the loan rate on various commodities be released by the USDA no later than February 1 preceding the next crop year.

If for example we used December 15 prices, 75 percent parity for corn would be $2.09 per bushel, and 75 percent parity for soybeans would be $4.73 per bushel, accordingly under the actual cost of production. Therefore, I am recommending a 3-year guaranteed loan with the provisions of a 2-year recourse loan, and an optional 1-year nonrecourse loan agreement based on interest rates no higher than Government costs.

A type of a program such as this would keep reserves in the hands of agriculture, would provide operating capital, and also provide a reserve to our country's consumer, our foreign purchasers, and put some stability as to our supplies, prices, and limit the uncertainties to our producers.

One other thought I would like to comment, on what 25 agriculture leaders in the State of Iowa would like to have as a policy. This is kind of our unanimous belief: We basically believe in a free trade policy on agricultural commodities to avoid shipping unknown quantities that would possibly leave us with a domestic shortage; we believe that a clearing house with crop producer representation should be established; we need some type of protection to eliminate the possibility of the United States being a dumping ground for products such as beef and dairy products from other nations. Foreign buyers should be required to indicate estimated purchases on a quarterly basis to this body and make partial payment on these projected purchases.

Thank you.

Senator CLARK. Thank you very much. I think your statistics, particularly with regard to what agriculture has meant to foreign exports are very good. I am particularly impressed with them. It is my recollection that this last year our corn exports were about $21 million. And I've forgotten what our oil was, but I think about $24 billion. I've forgotten, but give or take a million dollars, it's something in that area.

Mr. ELIJAH. Yes.

Senator CLARK. It's really a question this next year. We hope that we can adjust to those oil prices in this next year. We're not having further increases now in terms of rise of Middle Eastern oil. But if our agricultural sales overseas were to diminish this year, and it certainly looks now at this point in the year that this could happen, then our balance of payments would be in deep difficulty.

Mr. ELIJAH. I am vitally concerned. I serve as director of a loan committee on our bank, and it does really concern me as to what is going to happen to our young farmers. Where are they going to get the capital? Where are they going to get the collateral? I think we

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have to institute a loan-type program on these—or we may just not have too many. How can you issue credit? This is a real problem.

Senator CLARK. We have had some witnesses before this committee in Washington on this soybean loan problem, and I would be hopeful that we could reinstitute a loan program on soybeans.

Mr. ELIJAH. Well, yes, I would like to get all I could get for my corn and soybeans, but I am concerned about the target price situation that has been proposed—$2.10 loan rate, and the target price level. As a cattle feeder and livestock producer, I don't think this is quite fair to them, to produce a product for the price——

Senator CLARK. Where would you like to see those rates be on loan and target?

Mr. ELIJAH. I know what my costs were last year. It cost me $1.86 a bushel last year to raise corn. It cost me $4.83 a bushel to raise beans last year, and it's going to be projected considerably higher this year. I think one thing we have to take into consideration is our foreign markets. If we price ourselves too high, we could price ourselves out of a market. An example would be in Europe: Up until the embargo a couple years ago, Europeans imported about 95 percent of their total beans from the United States; last year it was 83 percent. We drove them to look for another market.

Senator CLARK. Right.

Mr. ELIJAH. And this is something that I have a fear of. I don't think we dare get too high, and yet we have to exist.

Senator CLARK. I know that this is a subjective judgment for you to make, but what do you think of the House Agriculture Committee's proposals of $1.87 on corn as a loan and a $2.25 as a target? Does that seem to you to be too high, or too low, or about right?

Mr. ELIJAH. I would like to see the average and eliminate this target.

Senator CLARK. You would like to see what?

Mr. ELIJAH. I would like to see the two combined, and eliminate the target. The target concerns me as a livestock feeder. In other words, I ask this question: We have a loan price of $2.10 a bushel; as a livestock producer, to buy this corn, am I going to have to pay $2.10 or $2.50. Am I going to have to subsidize loans? This is the thinking of mine.

Senator CLARK. Well, then you are thinking then of a loan, or an average of something about $2?

Mr. ELIJAH. The National Corn Growers, I think their figures show about $2.47 a bushel is what the cost of production is.

Senator CLARK. Right.

Mr. ELIJAH. Purdue University quotes about $4.99 a bushel to produce soybeans. I think we have to have this under the cost of production, perhaps, or we could price ourselves out of a lot of markets.

Senator CLARK. Do you have any objections to making these commodity loan prices part of the record?

Mr. ELIJAH. No.

Senator CLARK. Then let's make this part of the record at this point, because it's good statistical information, in terms of Iowa crops. Thank you very much.

Mr. ELIJAH. Thank you very much.

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[The material referred to above follows:]

1974 ESTIMATE FAS FUNDING FOR COOPERATION AND EXPORTS

Cooperation	U.S. contributions $1,000	FAS expenditures $1,000	Export volume $1,000	Ratio export/FAS fund
Cotton Council International	200	895		
International Institute for Cotton	0	1,580		
Total cotton	200	2,475	837,804	338
Poultry and Egg International	75	600	92,343	153
American Soybean Association	1,150	1,330	3,164,609	2,379
California Raisin Advertisement Board	126	85	21,659	254
California Cling Peach Advertisement Board	275	450	25,187	56
California-Arizona Citrus League	1,350	189		
Florida Citrus Commission	550	620		
Total citrus	1,900	809	208,839	258
Western Wheat Association	385	1,010		
Great Plains Wheat	560	450		
Total wheat	945	1,460	2,378,320	1,628
Rice Council for M.D	425	820	435,553	531
U.S. Feed Grains Council	340	1,050	2,346,804	2,235
National Dry Bean Council	75	40	39,744	993
National Renderers Association	300	550	210,796	383
Breed Association	380	130	38,444	295
EMEA Mink Breeders	175	160	21,919	137
Tobacco Associates	60	130	639,891	4,922
Others		2,921	2,432,100	832
Grand total		12,000	12,894,012	1,074

Senator Clark. The next witness will be Lyle Elvins. He is the Iowa Cattlemen's Association vice-president from Creston, Iowa. Proceed in any way you think is appropriate. We will tell you when your time is up.

STATEMENT OF LYLE D. ELVINS, VICE PRESIDENT, IOWA CATTLEMEN'S ASSOCIATION, CRESTON, IOWA

Mr. Elvins. Senator Clark, I have been asked to fill in here today by the Iowa Cattlemen's Association, so that what I have to say is more or less off the cuff.

Senator Clark. Fine.

Mr. Elvins. We live in southern Iowa, and in our profession we are involved with a cowherd, and we also raise corn and beans. We feed a few cattle, so we are into it in all three directions. As you look at agriculture, the way it looks to me is that it is more or less divided into three segments. One is grain farming, and the other is cow-calf operator, and the other is cattle or livestock feeder. In the middle you will find many individuals are engaged in all three segments of this occupation and production. They produce the grain and feed their livestock, and even have their own cows.

So as you look at the Midwest agricultural setup, you can see that livestock and grain farming are all closely tied together, they are interrelated.

About 15 months ago the cattle feeder started to lose his shirt; about 6 months ago the cow-calf man started to lose his shirt. I might give you a little example of the cow-calf operation. We inventoried

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our calves the 1st of January, put them in a feedlot. We inventoried them at market price, and as of today we have as much money invested in our expense on our cows up to this date as we inventoried last year's calves—with feed and investment up to this date as we did when we inventoried our last year's calves. So we probably will have more expenses on this calendar year's calves than we did—that will be over and above what we have our calves inventoried at now. So now the cattle feeder has started to lose his shirt. The cow-calf man is losing his shirt. In the next 6 months who is going to lose his shirt next? It looks like it might be the grain producers. We have a situation developing in agriculture now where the different segments of industry now are going to have to work together, and to try to make a living, and not to be parasites on each other. In other words, the feeder has to try to buy grain for over cost of production, not to make himself break even. He has to almost steal a calf off the cow. The cow-calf man has to try to break even. In other words, with this, we all have to try to live off of each segment of the industry.

All our farmers need is a little prodding, and he would get out of the business, and he would do all he could, and as a consequence, we'd have things good.

For the last 40 years that I have been farming, we have lived under a situation of surplus. Now what has beamed up is that there is still some of the same methods being used to prod the farmer into overproduction. He has been told that it's his moral obligation to produce all he can. He has been told that the consumer needs cheap food, so he must produce. He has been told though foreign trade is a necessity needed for good balance of payments for the United States, so he has been encouraged to produce, and now he is being encouraged to produce by having a target price waived in his face.

Now whose obligation is it to do this overproducing? The farmer represents about 5 percent of the people in the United States; still, a finger is being pointed at the farmer to get out there and produce all you can—perhaps to the end result to where he is going to operate in the black—or operate in the red.

I say if the U.S. President feels obligated—a moral obligation to foreign countries to maintain the balance of payments, then I feel that it's the U.S. Government's obligation, and that we as farmers shouldn't feel guilty because we are not producing a surplus. If the U.S. Government wanted to say to the agricultural producer that we have a moral obligation to feed the world, we have a moral obligation to have cheap food for the consumer, then why didn't the U.S. Government say to the agricultural producer, "We need you as a partner." If you will say "we would like to have you produce all the food you can," and as a partner, "will you produce that food for us and we'll guarantee you cost of production plus a fair profit." fine. Now to me that would make sense. But it didn't make sense for the farmer, or the agricultural producer who feels guilty because he's not producing to the fullest extent.

Senator CLARK. I like the way you phrase that part of your testimony. I think that captures in a nutshell what I was trying to say in my opening statement. I didn't mean to interrupt you, but I think that really did sort of summarize this. And people are going to have to agree that the farmers need the initial cost of production, and a

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fair profit above that. I think that begins to get to the crux of where we have to make that decision. It can amount to that though, if the Government is going to ask farmers to produce for the world and for our own population, and I think it can be done.

Seventy-five percent of all the grain in the world is produced in this country, if we are not going to produce 75 percent, then there are going to be a lot of people starving. But if we are going to ask farmers to produce for foreign consumers and domestic consumers, then it seems to me they have to be given some assurance of the cost of production, and it will lay in the direction of that which you say, at least some consideration over and above that. I am sorry to interrupt you.

Mr. ELVINS. Now to elaborate on that a little bit further in regard to this target price, let's take General Motors, for instance. If it cost $6,000 to produce a car, then the U.S. Government ought to go to General Motors and say, "Listen here, we need all-out production. We need to get some cars on the market. We will give you $5,000, and you get out and produce all the cars you can." Well, that's what the agricultural producer is being asked to do now; he's being waived this $2, $2.25 price in his face with the expectations that he will go all out and produce. I think the farmer—well, he can't do this unless he can make his cost of production, and he also has a family like anybody else. He has to support his family, and he also needs to maintain and build his equity. Under this target price under his cost of production, he is going to go in the red, and he cannot exist for long under these conditions.

Senator CLARK. Then, in the coming year that is precisely what we are going to do. We are going to say that we are going to guarantee you, if you start producing, we are going to guarantee you at least the cost of production. So it is being done, and it has been done certainly in a number of years.

Mr. ELVINS. Well, what is the solution for our present problem? For the record, I would like to say, and this is more or less my own idea, because the Cattlemen's Association board meeting is today and tomorrow, and they will come up with some more definite ideas.

Senator CLARK. Well, I promise total support and interest in your ideas. We are appreciative of any recommendations they have for the record of their needs.

Mr. ELVINS. We will try to get that to you.

Senator CLARK. Good.

Mr. ELVINS. After the meeting and as soon as possible. This is more or less my own solution for our present problem. To me it's two words: Regulate production. No. 1, decrease crop acreage; No. 2, raise our cattle inventory by keeping our own cows lighter; No. 3, sell slaughter animals at a lighter weight. I believe that if all segments of agriculture will work together on that, they will be able to establish a little better prices in trying to get the cost of production. Senator, I would like to read a resolution. Maybe you have it available from the Iowa Cattlemen's Association. Resolution Three is on limited corn production. Now, this came from the Iowa Cattlemen's Association State convention. Whereas, the Iowa Cattlemen's Association represents considerable relationship between corn growers and cattle feeders, be it resolved that Iowa Cattlemen's Association endorses the policy of

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the National Corn Growers Association, and other organizations supporting a cutback in corn production. Then there is one other paragraph I would like to read. This is in regard to foreign aid. Be it further resolved that we as Iowa cattlemen give our support to a long-term Government plan to help underdeveloped countries help themselves, primarily with educational and technical assistance, with food and financial aid only on a temporary basis.

Senator CLARK. Let me just say that I think we should make that entire document a part of the record, and if you would leave those with us, I would like to put them in the record. I think they would be valuable.* Your recommendations, and especially the last one that you made is a very good one. I think there is a lot of misunderstanding about this whole world food situation. I think the right way to say it in my judgment is this, that we know that there is a difference between the years of famine and the year of the normal yield, and that we really have in this world 300 to 400 million people who are suffering from malnutrition. And this is a problem that we have year after year in the world. The solution to that problem is clearly not more food. The solution to that problem is for these people to develop their own ability to feed themselves. There is just no way we are going to be able to solve that problem with more production, so that is the long term problem that we face. And that has to be faced in the way in which you recommend. They have to develop their own abilities. They have the potential. There is no question but that we can do it. The short term problem is that in the next 3 months we have about 500 million people, about 2½ times the population of the United States that suffer an immediate famine problem that is over and above the kind of problem that we face over the year.

Mr. ELVINS. Are you talking about Africa?

Senator CLARK. Yes. Principally, Uganda, Bangladesh, Pakistan; those are the some, but there are others. Because of the harvest of last year, all over the world, we need an injection of a minimum amount of 4 to 5 million tons, which is very little. We produce something like 220 million tons of grain in this country each year. We are asking about 4 million that we need to get there, primarily to avoid immediate starvation. There is a lot of misunderstanding about where the food comes from when it comes from the United States, and who pays for it. If we paid for all of it, obviously the taxpayer would pay. You can't get it anyplace else. But as far as the farmer is concerned, obviously this wheat or rice or corn is bought right off the commodity exchange, so if it's sold to Japan or some other country, the effect is the same. All it's done is that that country is given credit, and they come in on the commodity exchange and buy it just as any other country—or customer does. So that the effect on the farmer is clearly positive in terms of what happens to that grain. And if you take 5 million tons of grain right now, market price would cost about $1 million plus; just a hair over in terms of what we normally send abroad. And so that the taxpayers of this country will be a part of the process of doing it.

Mr. ELVINS. Could I ask you one question in this foreign aid?

Senator CLARK. Certainly, go right ahead.

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* See p. 43.

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Mr. ELVINS. Does this grain get to the people over there, or does a lot of it go to the black market?

Senator CLARK. I think under the present—whereby Public Law 480 is being revised, with this bill as part of the agricultural bill; the Agricultural Act of 1973 includes not only commercial agriculture, which we are taking about here, but also the food stamp program, and the World Food for Peace program. I think in revising that we are going to have some aid, but I think this will improve that situation. You see, we have two kinds of world food programs under Public Law 480; one is called title I, in which we give that country credit, and they come in and buy that grain, and they do with it what they please. And there's an awful lot of problems to that. I think in terms of the things you've just described. We've seen the history of it over and over and over. And then our second program is called title II. All of title II, or almost all of title II goes to what we call voluntary agencies. And that is distributed very well through the Catholic, Lutheran, Protestant, and Jewish, CROP, CARE, all of these agencies in these countries. And my own feeling is that we should be doing more of that if we want to feed people, rather than simply turning it over to the South Vietnamese government or the Cambodian government, or the Indian government or whatever, and then just hope it gets where it needs to go. Because we've had some real problems with that.

I introduced a resolution yesterday, along with three other Senators, with regard to this aid we're flying into Cambodia right now. Day by day we are flying in 545 tons of rice per day. And we found out yesterday that the day before that most of that is simply going to the military. So we got a resolution to try to move it out of title I into title II, so that it goes to hungry people.

Mr. ELVINS. Thank you very much, Senator.

[The following material was referred to on p. 42:]

[From the Iowa Cattlemen's Association, Ames, Iowa]

RESOLUTION NO. 1

BEEF IMPORTS

Whereas beef import quotas under the 1964 Import Act, are presently based on annual estimates and whereas this does not seem effective to deter large shipments in any one given short period of time.

Be it resolved the ICA urges amending legislation requiring import levels be administered on a quarterly quota basis.

Passed.

RESOLUTION NO. 2.

WORKMEN'S COMPENSATION

Whereas the state workmen's compensation law is unequitable and unduly burdensome to Iowa agriculture, and

Whereas private insurance to accomplish the same degree of employee protection can be obtained at a much more reasonable rate, therefore,

Be it further resolved That the Iowa Cattlemen's Association work for a change in the Iowa workmen's compensation law to specifically exempt family employees of unincorporated farms, and all family employees, and family members of a farm corporation, and any labor performed on an exchange basis.

Passed.

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Resolution No. 3

LIMITED CORN PRODUCTION

Whereas, the ICA represents considerable relationship between corn growers and cattlefeeders,

Be it resolved the ICA endorse policy of the National Corn Growers Association and other organizations supporting a cutback in corn production.

Passed.

Resolution No. 4

IMPLIED WARRANTY

Whereas the implied warranty provisions of the Iowa uniform commercial code are presently unworkable and unfair as they regard livestock merchants, and

Whereas reasonable protection for buyers of livestock against the unknowing purchase of diseased animals remains a valid consideration,

Therefore be it resolved That the Iowa Cattlemen's Association seek legislation to exempt merchants of livestock from implied warranty if they make available sufficient ownership and health history to the buyer previous to sale.

Passed.

Resolution No. 5

MARKET INFORMATION

Whereas the Iowa Cattlemen's Association should make available market information to all its members,

Be it resolved the ICA Board of Directors should request one issue of the ICA Journal be devoted to marketing information, and

Be it further resolved That the ICA Journal publish all possible sources of immediate information available such as radio, TV, telephone, and publications.

Passed.

Resolution No. 6

CORPORATION FARMING

Whereas the Iowa Cattlemen's Association is made up primarily of family farmers, and,

Whereas there appears to be a significant threat to farming by the incursion of non-farm corporations, therefore,

Be it resolved That the Iowa Cattlemen's Association pursue reasonable legislative means to prohibit non-farm corporations from conducting farming operations in Iowa.

Passed.

Resolution No. 7

BRUCELLOSIS

Whereas it is difficult to administer the Brucellosis program under present Iowa law,

Be it resolved That changes in Iowa Brucellosis law be made to blend with Federal regulations.

Passed.

Resolution No. 8

COMMUNICATIONS

Whereas many news media personnel have presented highly emotional, inaccurate images about our industry to the public,

Be it resolved we invite executives from metropolitan news media to a beef information field day, for the purpose of relating accurate facts about the beef industry.

Be it further resolved That we work with public relations personnel from other farm groups, to provide a basic and realistic understanding of the beef industry and agriculture with Congressmen. It is our responsibility as cattlemen to inform the public and its leaders regarding our industry.

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Be it further resolved That we as Iowa cattlemen give our support to a long-term government plan to help undeveloped countries help themselves, primarily with educational and technical assistance, rather than food and financial aid which is only temporary.

Be it further resolved we urge the cattle industry to help build understanding that the food needs of the world would not be lessened if cattle feeding were to be totally outlawed. The facts indicate clearly that cattle are actually salvaging millions of acres of roughage, which is not otherwise convertible to human food.

Passed.

Resolution No. 9

PRE-CONDITIONED CALF SALES

Whereas the Iowa Cattlemen's Association has established the pattern for Preconditioned Calf Sales and that they further expand and implement the organizational activities,

Be it resolved because of the keen interest in the cornbelt that the Iowa Cattlemen's Association should study the possibilities in F–1 crossbred female sales in conjunction with pre-conditioned calf sales.

Be it further resolved Beef Industry Council direct funds to study the success of pre-conditioned calves from the feeder calf sales.

Passed.

Resolution No. 10

SOIL EROSION AND SEDIMENTATION CONTROL

Whereas soil erosion and sedimentation are becoming a target of environmental groups; and,

Whereas local control of these problems is essential;

Be it resolved That the local soil conservation districts, or their counterparts, have jurisdiction in these areas since they now possess the technical and practical knowledge of area problems.

Passed.

Resolution No. 11

NATIONAL ANIMAL HEALTH ACT

Whereas the National Animal Health Act passed by the 93rd Congress was vetoed by the President, and

Whereas, the need for this Act still exists,

Be it resolved That the Iowa Cattlemen's Association strongly urges enactment of a National Animal Health Act the same as was passed by the Congress in 1974.

Passed.

Resolution No. 12

PAYMENT FOR SLAUGHTER LIVESTOCK

Whereas both the ICA Board and the Marketing Committee desire to search out all possible solutions to the current problems of non-payment for livestock purchased by packers.

Be it resolved That the ICA vigorously renew its efforts to bring about changes in said existing procedures to establish a practical payment assurance system which will protect feeders.

In carrying out this dictate: the following guidelines are recommended:

1. That it concentrate on developing a multi-item, innovative solution, rather than merely zeroing in on a single item, such as the bonding of packers; and
2. That the program be structured to provide for a phasing-in of given changes as may be necessary to effect a workable transition.

Suggested items to be given consideration include, but are not limited to:

1. Prompt payment for meat to relieve the tremendous financial burden presently carried by the packing segment, and passed back to feeders, of financing the distribution segment;
2. Requiring that checks in payment for livestock purchased be drawn on banks within a reasonable proximity of the given transaction site;

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3. Establishment of an insurance system similar to the Federal Deposit Insurance Corporation, or other form of insurance fund;
4. Bonding and/or other such types of payment assurance;
5. Provide feeders a prior and overriding lien on their livestock and the proceeds therefrom until payment is received;
6. Require packers to place proceeds of sale in a custodial account in amount equal to the payments drawn for livestock;
7. Require packers to pay 80% of the estimated value at the time of delivery, of livestock sold on a carcass basis;
8. Amend the present float system used by packers to require the credit line to be sufficient to clear all checks outstanding at any point in time, and such other changes as will make the system low-risk and financially sound.
9. Electronic transfer of funds.

Passed.

RESOLUTION No. 13

USING BEEF TO RELIEVE HUNGER

Whereas for many years the United States has been providing food assistance to other nations and persons in need in this country,

Be it resolved That the ICA support a beef slaughter and canning program to help deplete the over supply and create a future market.

Defeated.

RESOLUTION No. 14

LAND USE

Whereas wise use of the land is of benefit to all citizens of the state of Iowa,

Be it resolved That ICA supports the establishment by law of state and county commissions to guide the use of private lands. Only the conditions that the members of said commissions be selected on the basis of land area.

Be it further resolved That the state commission will act as a review board with the ultimate decisions left in the hands of the county commissions.

Be it further resolved That feedlot once established and operated at acceptable industry standards and under applicable regulations will be immune from additional environmental liabilities.

Passed.

RESOLUTION No. 15

POWER OF EMINENT DOMAIN

Whereas persons, corporations, government agencies, or political subdivisions enjoying the right of public domain have a moral and legal responsibility to uphold the right of private individuals, and

Whereas these bodies have recently shown a tendency toward abuse of the privilege by exercising that right without regard for the economic health or pursuit of happiness of the agricultural community, by taking possession through condemnation or by taking easements without regard to property taxes, section lines, agricultural ease of use, or future agricultural development, and

Whereas agricultural people should and must enjoy on an equal basis a right to determine whether or not such condemnation or easement is truly essential to the health and welfare of the general public,

Be it resolved That the Iowa Cattlemen's Association will strive for equality and fairness in the exercise of the right of eminent domain by all who enjoy this privilege by stressing that:

1. Persons who lose property or property rights to this power must be fairly and equitably reimbursed for all losses, including present damages, future use and development.
2. All those enjoying the right of eminent domain must be required by law to give full and detailed notice of their intent to exercise such power at least six months in advance of the obtaining of condemnations or easements.
3. All lawmaking bodies should review those parties to whom they have given the right of eminent domain with the thought that this right in some instances may have been delegated to parties who do not rightfully deserve such power, and who are not using it in the best public interest.

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4. The individual must have equal rights to determine the location of condemnations and/or easements on his property as those exercising the power of eminent domain and should also have the right of legal appeal of the final determination of the location of these easements and/or condemnations, in the same maner as he now has the right of legal appeal in the determination of the financial award.

Passed.

Resolution No. 16

NATIONAL CATTLE CHECKOFF

Whereas beef promotion, education, research, market and product development, and other industry service activities are seriously under-financed in light of the financial size of the industry and the job needing to be done,

Be it resolved That the ICA supports the concept of a national check-off on cattle under which all persons engaged in cattle production and feeding will contribute an equitable share of the financial support needed for such programs;

Be it further resolved That the collection of monies and the programs financed thereby shall be as free as possible from government involvement and still provide for universal collection.

Passed.

Resolution No. 17

LIVESTOCK MOVEMENT

Whereas it is highly difficult under present law to obtain convictions for stolen livestock and,

Whereas information relating to the movement of livestock would be extremely useful in disease control,

Be it resolved That the ICA actively seek state legislation to provide for the use of a "trip Ticket" which would accompany shipments of livestock within the state. Use of the trip ticket should be mandatory when sale of the livestock is involved and optional when ownership is not changing hands.

Be it further resolved That Iowa law enforcement officers be empowered to require the transporter of livestock who does not have a "trip ticket" in his possession to execute a "trip ticket".

Passed.

Resolution No. 18

TAX SHELTER

Whereas tax reform legislation was developed in draft form which contained complex and complicated provisions involving limitations on artificial accounting losses "at risk' limitations, and the requirement that corporations other than subchapters and family corporations use accrual and inventory accounting methods, and,

Whereas the tax shelter and deferral problem could be adequately solved in a clear cut and non-complicated manner by simply ruling out the limited partnership as a tax entity for income tax purposes. In other words, requiring limited partnerships to be taxed in the same manner as associations and regular corporations rather than as regular partnerships,

Be it resolved That the ICA favors this approach to the tax shelter and deferral problems.

Passed.

Resolution No. 19

MEMBERSHIP

Whereas there exists a need in the Iowa Cattlemen's Association for a simplified membership form offering the varied combinations of State and National Associations memberships,

Be it resolved That the ICA adopt for use in the collection of 1976 memberships a standard membership form which will be so designed to offer the mem-

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ber choice of obtaining along with mandatory ICA membership the following additional combinations:

(a) ICA
(b) ICA and National Livestock Feeders Association voting membership
(c) ICA and American National Cattlemen's Association voting membership
(d) ICA and combination of NLFA & ANCA voting memberships

Be it further resolved That the dues basis for this standard membership form be the amounts presently in effect for the ICA and for combination ICA-National memberships, and in the latter case (combination memberships) that dues collected for the two national associations (NLFA & ANCA) be forwarded to them monthly by the ICA staff, and

Be it further resolved That ANCA or NLFA will not accept a non-ICA member, and any direct mailing solicitation in Iowa must have prior approval of ICA, and

Be it further resolved That the provisions of this resolution do not apply to producers of livestock and poultry other than cattle.

Passed.

Resolution No. 20 From the Floor

PROCEDURE FOR BY-LAW CHANGES

Whereas we realize that the board of directors must act during the year and may need to change the rules and by-laws of this organization, and

Whereas we wish to maintain the feeling of democracy and that all policy is not mandated from a few, therefore

Be it resolved That the board of directors continue to be empowered to amend the by-laws as needed, but that these changes be ratified by the voting delegates.

Passed.

Resolution No. 21 From the Floor

Whereas the decision involved in agricultural legislation required constant awareness of changes of production, and

Whereas the individual closest associated to the changes and needs of agriculture, is the active farmer, rancher, and

Whereas the active farmer is most knowledgable of the counter reactive actions of various government policies, therefore

Be it resolved That the ICA urges legislation requiring a minimum of 30% to a maximum of 40% active farmer participation. This involves decision making areas involving agricultural policies in accordance to production percentages in respective fields, and

Be it further resolved That this policy be required in both state and federal legislation, and departmental activities. We feel that this is in the best interest of consumers as well as producers, as it is based on practical application, and

Be it further resolved That since it is established that the individual support is more acceptable and more meaningful, this resolution should be individually signed by all concerned.

Passed.

Resolution No. 22 From the Floor

Whereas the cattle industry has been, and continues to be, in disastrous financial condition, therefore,

Be it resolved That the ICA actively explore and pursue actions which may reasonably be expected to help alleviate this condition.

Passed.

Resolution No. 23 From the Floor

Be it resolved That the staff of ICA, the Executive Committee and the Board of Directors be commended for their work and accomplishments of the past year.

Passed.

Resolution No. 24 From the Floor

Whereas raw product agriculture operates in a highly volatile supply-demand market structure: therefore,

Be it resolved That ICA promote a policy of 10% less food production.

Defeated.

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Senator CLARK. The next witness is Sydney Gross, of Osceola. He's a farmer and president of the Farm Organization in Iowa. Sydney, you proceed in any way you think appropriate. You'll understand if I leave for about 3 or 4 minutes while you're talking, is that all right?

Mr. GROSS. That would be fine.

Senator CLARK. I'll be right back.

STATEMENT OF SYDNEY L. GROSS, OSCEOLA, IOWA

Mr. GROSS. We want to thank you, Senator Clark. First I would like to have it understood that while I am a member of a new farm organization and on the board of this organization, called the American Grain Growers, what I say here today will represent my thinking, because we have no position on any of the issues that are here today. So I will be speaking on my own part.

The only thing that bothers me, Senator, is that I think you probably understand many of the things that are being said here today all too well before they are being said. What concerns me is that there are many Congressmen and many Senators who should be here to hear—from the urban centers—who will not get this message. This of course is something we've got to face as farmers, that there are many others in the Congress besides farm representatives.

Now I'm not going to dwell at any length today on what's being said here, only that much of it I'm going to absorb. We do have a cost-price squeeze once again entering into agriculture. And what I would like to make a point of most is that $2 corn, or $2 or $2.25 loan price and target price is totally inadequate in today's farming. And that if the Government is going to ask farmers to go to an all-out production, as they are doing, that they must then give farmers an adequate support price. And when I'm talking about adequate support price, I'm talking about parity. Because, I think if we'd ask 100 farmers that are here today what their cost of growing a bushel of corn is, you'd come up with 100 different figures. And we go to the economists at our universities—and I'm not sure sometimes whether some of them know a cow's teat from her tail—but anyway, their figures are totally—when they come up with $1.81 cents today, it's totally outdated. If they think they can grow corn for $1.81, I'd like to see them buy a farm here in Iowa and start in and pay for it. These figures are figures that I don't know where they can come from. And this is why we would like to insist that if there is to be any supports tied to any figure, that it be parity. Parity is a moving figure. It reflects the costs the farmers have, and they go up, so this figure goes with it; if they go down, farmers would be willing to take this. Parity is for agriculture and farmers what the Consumer Price Index is to labor. And we must have some kind of a moving figure, a moving target price. And we think it should be tied to parity.

Now I have an article here, taken from the Des Moines paper of September 14 that I would just like to read just a little of here, which pinpoints the problems that the farmer faces today. The headlines were: Price burden is put on the farmer. It's the Chicago-Illi-

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nois mini-summit conference on food relief, food relief seen only at the farm level. That what is emerging today as the Government tackles food price inflation is, that if the consumer is to get any quick relief from standard increases at the grocery store, it will have to be paid for by farmers. Most special interest groups represented at the mini-summit conference here on food and agriculture emphasized Friday that their segments, organized labor, supermarket chains, meat packers, and food processors can't afford to take any cuts or reduction in profits. There was agreement privately at least that in the short run, only decreases of what farmers paid for their products would result in leveling off, or even slowing down, the rate of food price increases. Dr. Carl Berg of the USDA said, "I don't see how prices can go down. But the farm price is the only thing that can give. It's the only really competitive aspect of the whole thing." I think this pinpoints our problems as farmers, and that is that we are unorganized, or disorganized as to what the—until we have no power in the legislative halls or anyplace else. With only 5 percent of the population, I'm sure that our voices are not heard with the same—at the level that the consumer's voice is heard. Now in 1972, and I understand that the USDA's latest figures show that probably it will be back at about that level—in 1972, if farmers had earned at the same rate as their investment, that 500 of the largest corporations—we lacked $3,900 million of earning that much, and we threw in 6 million man hours of labor for nothing. In other words, farmers over the years have been working for nothing, if they take and include their own investment or if they took an hourly wage for their labor, they got no return on their investment. No other segment of the community would do this. And I want to say here today that I think it's time that the farmers are going to have to start thinking and doing for themselves.

If farmers—if the Government is going to ask farmers to go all out on production, and then only going to support our prices at 60 to 70 percent of parity, which is just barely the cost of production, I for one would just as soon they drop it off. Drop all quotas, because farmers year after year are just barely able to break even. And then they have to cash a big crop in at a loss. I just as soon they would let us cut loose and do the job, and let it get it over with, because then every farmer will begin to do for themselves, and this is probably the only thing that's going to have to do it. I want to tell you farmers who are here today that nobody controls this plow and planted but you. And you'd better get ready to control this plow and planter, because if you begin to hang your hand down for a bunch of crumbs—and this is all it is—they are going to give us just that, and then we are in deep trouble. Government can do that for us if they want to. But I am not sure that the powers that control the consumers, and the tremendous pressures for this grain surplus, grain used in this balance—this has been misunderstood for a long time why this should be set aside. But surely farmers don't have to underwrite the balance of payments and have to provide cheap food at a loss—and this is the policy that we are headed for at the present time. Now I don't want to go on at any great length, but I basically think

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that I am very pessimistic, to put it mildly, that Congress will give us more than the 60 to 70 percent of parity support.

And too, I think it's going to be a long time—and this is something that farmers have got to look at—they have got to help themselves.

Mr. SAYLOR [professional staff member]. Mr. Gross, what do you think is fair? What is your feeling as to a fair support price to these farmers?

Mr. GROSS. Well, I think it has to be tied to parity. And I think it should be from 80 to at least 90 percent of parity, and I think that would allow the price of food to move from 90 to 100 percent of parity. I think anything else than that is really unrealistic.

Mr. SAYLOR. What about the loan rate?

Mr. GROSS. The loan rate and target price should be 90 percent of parity. The loan rate could be 70 if they want to go this route, but I think the target price should make up the difference. It should be target price based on the total production, not some part of that production. It should be based on the complete, whole total production of the farmer.

Mr. SAYLOR. Do you feel that the parity price concept fairly reflects the changes in farm costs?

Mr. GROSS. Well, let me say this. That many of the parity prices are definitely outdated. These figures are simply not accurate. I agree we need more up to date data if we are to come up with a fair one, if a fair one can be brought out, but until one can be stated, let's stay with this. Yes, I think this reflects the mood of the farmers today. If they knew that corn was going to be $3, and soybeans—I forget what the cost is—what that is.

Mr. SAYLOR. There has been a lot of talk lately about revising the reserve policy. What is your position on any change in reserve policies that we might adopt?

Mr. ELVINS. Well, I think reserves must be held on the farm. This is where the reserves should be, on the farm. And I think on down the road the farmers are going to have to adopt their own hands. And if they have this reserve, the Government is not going to be able to beat the market down. I would like to make one comment here, I have heard many times here today that we must have exports to use in the balance of payments and trade. I agree. We want to produce meat, and we want to export all we can export, but to export it at less than cost, this is certainly not good. Had we exported on the world market what that price is, that didn't necessarily reflect our input of cost of production, and cost of all of what we are exporting is—we are exporting 90 percent of the world supply of soybeans, about 45 percent of the corn, and something like 30 percent of the wheat is exported on the world market. So we really make the world market. But if we put this on and drive the price down, this didn't reflect our cost of production inputs. There is no relationship whatsoever between the world price, and cost of fertilizers and our chemicals. And this is the part that bothers me about growing indiscriminately, all out production, and then throwing it on the world market. Because this world market prices set the price for the total production, and yet has no relationship toward the domestic input production costs. We think that on down the road, that exports to

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foreign nations should be moved to forward contracting; well in advance of the crop year, so that production can be planned for these exports.

Senator CLARK. Thank you very much, Syd. Do you have further questions, Tom?

Mr. SAYLOR. No, I don't.

Senator CLARK. We appreciate very much your coming down. Anything that you might want to submit by way of afterthoughts in the record along with any of the other witnesses who have testified, we would appreciate it very much.

The next witness is Bill Foddy. Bill, you are Rural Route 2, Woodward, Iowa?

STATEMENT OF WILLIAM FODDY, WOODWARD, IOWA

Mr. FODDY. Senator Clark and committee members, my name is Bill Foddy, Route 2 in Woodward in south central Boone County. I own and operate an 800-acre grain farm.

I would like to address my comments to three items this morning: The grain embargoes, the grain reserve, and the support payment, support prices, target prices.

The first subject, the embargoes I am totally opposed to. I can't see where they are needed. In other words the grain prices now are—the embargo is supporting, is driving the grain prices down below the level the House Agriculture Committee's recommendations support. It appears to me we have one agency bucking another, which seems to happen all too often nowadays. I see very little difference to a Japanese depending on our soybeans for eating for his food, as compared to how angry we were with the Arabs when they threatened our national security with an oil embargo.

Senator CLARK. Some people have pointed out that we are to food what the Arabs are to oil. Do you think that's true?

Mr. FODDY. I think if you were Japanese—and I've been in Japan, and I've seen some of these people that are hungry, I think if you were Japanese, you would be more anxious to have your food than to have your oil. So I would be very much opposed to those. I think Government has far too many other things to do besides regulating our exports.

The second subject I wanted ——

Senator CLARK: If I might just interrupt you for a second, your point is that it's difficult to explain why we would have even a monitoring system at a time when we have clearly got the grain now? Isn't that true?

Mr. FODDY. Yes. I think that we've—I would have been opposed to it if corn was at $5, because I think it's wrong in principal, but now the Government has managed to drive the price of corn down below the cost of production—and it's been testified here many times, and at the House Agriculture Committee. So even the excuse that was set forth as being—has run its course. It's time for them to find something else to do.

Now the second point is grain reserves—it's been stated by a gentleman from the University of Chicago that world production of grain

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actually only varies about 3 percent a year worldwide. When one country has a drought or a bad downturn, another one has a good year and makes up for it. So I think what we tend to confuse here is the fact that there are many, many hungry people in the world, but it is not because of an unusual year, it's because they don't have the money to buy the food, and there's too many of them. We certainly in this case then, a worldwide grain reserve is really not necessary for—a distribution system in what's needed, not the reserve. The grain reserve for the people in the United States is probably one of the more ridiculous things we've heard of. This last year we've had a 25 percent reduction in production, and for the most part in many areas a disaster situation, yet the exports are running at somewhere around 1.4 billion bushels of this year's crop—is being exported. USDA says 975 million, or in that range. So we are exporting close to a fourth to a third of this year's crop. Now why on earth do we need a grain reserve when in this bad year we have this much export? A grain reserve is just not necessary for anything other than to regulate price. It's strictly a price regulatory mechanism.

The last item I wanted to discuss is price supports. This again is strictly a price regulating mechanism, with the rate of inflation and cost changes, you'd never keep up with them anyway. And if you have a price support system—I'm a little confused, so I'll back up a minute. We have target prices, we have loan rates, and we have price supports. And as I understand it, target prices in my case mean almost nothing to me. They are based on my—on the average yield in my corn base, which is kind of a fictitious number, so I discount that. The loan rate I think is actually synonymous with the support price. And as far as I'm concerned, if we set this very high, we undoubtedly are going to have grain reserves. Some way or another somebody's going to have to take title to the commodity when you set the price high. And we've seen—of course I've only been in farming for 17 years, but 15 of those these grain reserves have kept my profits down to very near zero, or negative. So I cannot see increasing those. I know it's strange for a farmer to say don't raise my price supports. It isn't that I don't need the money—I owe a great deal of money, but I just think that it would serve to the detriment in the years to come, and I feel that the Government should stay out of these three areas and let us find the world market. And I'm sure that the people in this country can compete with the poor people in the rest of the world for their food.

Senator CLARK. Just so that I'm sure I understand your position, you are saying that we should do away with the target price system and the loan program?

Mr. FODDY. Yes. I think the target price system—I don't really understand it, but I don't think it works, because the corn base on my particular farm was determined during the years that I was buying it, and I was—the fellow that had it before had a great deal of beans, and it happened that that was the years—1959 and 1960—so I've been stuck with this corn base. I just don't think target prices mean what they're supposed to mean. That's all.

Senator CLARK. You would favor doing away with the commodity loan programs?

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Mr. FODDY. I would favor keeping them very low.

Senator CLARK. You would favor keeping them, but keeping them low?

Mr. FODDY. Very low.

Senator CLARK. About the present?

Mr. FODDY. Somewhere in the present area. What I would suggest, that if we feel that we are going to need them, then we feel that we're going to have more production than we had before, and then I would say that we should move in an area of set-aside for several reasons. In the first place, much of the land that was farmed last year was actually mined. It was too hilly, and eroded away in large amounts, and we got all this into production that we didn't need. There's no sense in mining hillsides in order to stack it up in grain bins in order to regulate prices—if you follow me.

The second area is that it costs a great deal of energy to grow this commodity and to store it and dry it. And there I would suggest the Government encourage us to go to shorter season products, because in my case I spend from 8 to 16,000 gallons of LP a year just to raise my corn. Well, if I shifted back to shorter season corn, I would probably cut my fuel consumption in half. And I'm only at that high level in order to increase production, to get it to the situation we're in now. I believe that's about my comments. I don't want to take up a lot of time, but I do feel very strongly that the Government is far too active in many of these areas, and it's got to the point—just from sheer bigness alone—it can't handle it.

Senator CLARK. So if I understand you correctly, you would disagree with those who testified that they should be assured of the costs of production or the costs of producing this crop plus a profit?

Mr. FODDY. Leave it to the free market system, and do away with the loan system.

Senator CLARK. And do away with the commodity loan rate at say $1.05 or $1.10, or something in that area?

Mr. FODDY. Yes. And if there are hungry people in the world, and I am sure there are, the world, not necessarily the United States alone, should devise a system that they divide excess production. But until that happens, I feel that we should have a set-aside program.

Senator CLARK. So you would regulate the amount that is produced, through governmental interference? The Government would require you to set aside, in return for support prices?

Mr. FODDY. Right. This sets—builds our ground, saves energy, and a multitude of things that we certainly need in this country. And to regulate the price directly with the reserve is just the wrong way to go.

Senator CLARK. All right. We appreciate very much having your testimony.

Mr. FODDY. I appreciate the opportunity. Thank you.

Senator CLARK. Matt Bauer, Carroll County farmer.

STATEMENT OF MATT BAUER, CARROLL, IOWA

Mr. BAUER. Senator, I'm very happy to be here this morning. We have got several serious situations. We happen to be in the blizzard

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of January. I met you at Lake Park, Iowa, when you were observing it. What is being done about those blizzard loans? Is anything being done? We're kind of sitting there twiddling our thumbs and wondering what's going on.

Senator CLARK. Do you know the status of those, Tom?

Mr. SAYLOR. The disaster—

Senator CLARK. Maybe we could call back while you and I are talking, or do you have that?

Mr. SAYLOR. Well, I know that the committee is meeting tomorrow, and there will be a consideration of adjusting the interest rate. I think something definitely will be done there. And the whole program will be reviewed very carefully in connection with this overall review of the farm bill.

Mr. BAUER. See, the thing we're getting into in our country and in a lot of people's areas, is that it's getting close to planting time, and we've got to—there is a lot of people that aren't going to be able to get financed on their own because of this situation. And it's pretty important to a lot of people in our area that we get something done right quick.

Senator CLARK. Maybe before this hearing ends today we can make a statement for the record. What we're trying to do is adjust two things in that disaster program. And I have to get the majority of the Congress and the President to sign it. But first and foremost we're concerned about trying to get a longer loan period.

Mr. BAUER. Right.

Senator CLARK. Instead of a 5-year loan, we would like to try to get that extended into a longer period. Second, if possible, we would like to get a somewhat lower interest rate. Now I think we would like them in that order, in terms of trying to get something through. We don't know how liberal that interpretation can get and still get it through. But it does seem to us that we ought to be able to get a longer term rate anyway. And we're trying to do that through the Farmer's Home Administration. We will try to get a more specific statement on that. As Tom says, the committee is going to be discussing that at its regular meeting tomorrow.

Mr. SAYLOR. The subcommittee will be marking up the bill this coming Thursday, and it will be reported to the full committee at our next regular meeting after tomorrow.

Senator CLARK. That's 2 days from now?

Mr. SAYLOR. That's right. And they're talking about looking at a 5 to 3 percent interest range.

Mr. BAUER. And this is—we've had several meetings about it. We don't want anything for nothing, we just want to be able to survive this thing, and be able to be in operation. We've had drought, we've had bad cattle feeding, and now we've got the storm.

Senator CLARK. Exactly.

Mr. BAUER. In my case, for instance, we're going to have to sell some land, or sell something in order to get—to keep going, if we don't get some help. We've got the land, and we don't want the money for nothing, we just want to be able to get it.

Senator CLARK. Right.

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Mr. BAUER. And use it.

Senator CLARK. Exactly. And that's very fair. The only thing you forgot to leave out was American Beef, because a lot of people up there are holding some bad checks.

Mr. BAUER. We've got a lot of them too. We got several of them, and it's just that all of the things combined are bad.

Senator CLARK. That's right.

Mr. BAUER. Another thing. What about the import quota on meat? Are they going to do anything about that, or are they just going to let them keep going at the rate they're at?

Senator CLARK. Well, as you know, this is under the jurisdiction of the administration of the USDA. They claim now to have agreements from a number of—from the foreign suppliers, to keep meat imports lower this year than last year. Now it's very essential that we do everything we can, clearly, to try to improve the prices of livestock in this country. We're in deep trouble. Someone here said 15 months, it's my recollection it was about 16 months, of declining prices, prices really below the cost of production. And we're not going to be able to maintain that much longer. And it seems to me that you've kind of got about two or three places you can go; one is that we've got to, in this period particularly, hold down as much as we possibly can, any foreign competition in this country.

Mr. BAUER. Right.

Senator CLARK. Because we're in a desperate period now. We believe in a free trade situation, we believe that we have to have foreign exports ourselves, and we're going to have to take some imports. But when we are in this kind of a period of a depressed price, then we are in a very unique period, we're not in a normal period. And I think combined with that, we have to start buying more—we've brought some, but we have to start buying more now in terms of Defense Department purchases, in terms of hot lunch programs, in every way we can, to try to bring that market back.

Mr. BAUER. Especially in our area, we're—Carroll County is one of the large cattle feeding areas in the State—outside of Sioux County. I think Sioux County is bigger. I'm not much on statistics.

Senator CLARK. I think you are right about that.

Mr. BAUER. But we're about as big. And it's about wrecked the industry. In our case, if we don't get something done pretty directly, my banker told me that we're not going to feed cattle next year, we're just going to farm and sell the corn—and in 25 years we've never sold corn, but we're going to sell corn at this time, because we're going to have to raise—try to get back all the money that we've lost trying to stay in the industry.

Senator CLARK. It's too bad you didn't make that decision a year ago. Now you're going to be in the same problem with corn, the way it looks.

Mr. BAUER. This could very easily be, and this is why I kind of respect a lot of the people's judgments on things, but I couldn't see why—as long as if we're going to produce a lot of corn, we sure better get something for it, because the whole industry is otherwise just down the tube. What about the agricultural conservation program practices? Are they going to reinstate that stuff?

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Senator CLARK. Well, we certainly hope so. As you know, the President in his Budget Message is proposing further cuts in that program. We think there is strong support for it in the Congress for several reasons. One, I think that it's been well established in the Congress that when you are talking about basic necessities, you are talking land and water and air, as somebody here earlier said. And that land supply, keeping our land in good condition, is as basic as any requirement we have in this country. And I don't think that's simply an agricultural question. I don't think it's something that only people that live on farms are interested in. We know that if we let that deteriorate, if we continue to do what the last witness talked about in terms of plowing up the hillsides, and we have no conservation measures, then we are going to be in deep trouble. We have to maintain the potential of agricultural production. I'm confident that the Congress is going to provide the money for those programs. Now I've been proven wrong certainly, but I just really think the support is there from both urban and rural Congressmen.

Mr. BAUER. In our area of course, there again we have a rolling type terrain, and we do about so much conservation work every year. And again, this year we're not going to be able to, because we just don't have the money to do it.

Senator CLARK. That's right.

Mr. BAUER. We don't have it, unless we can get this money from Congress.

Senator CLARK. Well, we haven't invested much Federal money more wisely than we have in conservation programs. And I just don't see the Congress of the United States doing away with those programs, or not reinstating those programs. You may know that President Nixon impounded the funds for soil conservation, and finally the Congress got a court order which demanded that he spend that money. But then it was April 1974 by the time we got that court order, and the funds appropriated for 1973 and 1974 were going to run out by the end of December. Well, we hurriedly put together a bill—I did in the Senate—and we got it passed in the Senate, and we finally got it passed in the House in the closing days before we went out and sent it to the President, and the President ended up vetoing it. So we lost those $135 million funds for last year. But I'm confident we're going to get them this year. We're started on it early, and it's essential, and I'm confident we have the support of the vast majority of the Members of Congress of both parties.

Mr. BAUER. Well, OK. Thank you. That's basically all I wanted to talk about.

Senator CLARK. Thank you very much. Our next witness is Robert Koeller, from Godfrey, Ill., Rural Route 3. You may proceed in any way you think appropriate.

STATEMENT OF ROBERT E. KOELLER, GODFREY, ILL.

Mr. KOELLER. Thank you, Senator.

Mr. Chairman, Members of the Senate Committee on Agriculture and Forestry. My name is Robert E. Koeller, a farmer from Madison County in west-central Illinois. I wish to express my appreciation

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for this opportunity to appear before this committee presenting a farmer's views on the state of agriculture today.

The agriculture industry of the United States has consistently produced ample supplies of food and fiber for the consumers of this country, much of the time at a very low margin of profit, oftentimes at a loss. In addition, farmers have increasingly been able to supply the needs of other consumers around the world.

In recent years, with the supply and demand more nearly in balance, the agriculture economy has shown definite signs of prospering—only to be handicapped periodically by interference from Government policies. Price controls, embargoes, export monitoring, sales reporting and other pressures destroy the delicate balance of the competitive market. Prices paid to farmers for many commodities are rapidly approaching or have already reached a level below the cost of production.

In the past year or two I have had the opportunity to meet and talk with representatives of governments and food processors from various parts of the world. Their common concern is our reliability as a supplier; a reliability which until the soybean embargo of 1973 was not seriously questioned. Many of these customers are now searching out and developing other sources of supply to fill their needs. We can ill afford to lose any of our world markets as a healthy agriculture depends significantly on a strong export demand, which in turn helps create a favorable balance of trade.

While the concern of many knowledgeable people is centered on the need of food for a hungry world, restrictions on the distribution of the present supply do not increase by 1 bushel the total food supply. On the contrary, the net effect of current trade policies is counterproductive. The apprehension created by the effect of these policies is at this moment causing large numbers of farmers to reappraise their 1975 production plans. Acreage reductions, fertilizer use adjustments and reconsideration of machinery and labor inputs are all being deliberated. A close comparison of the high cost of production inputs to the projected values of the 1975 production is startling and the advisability of all-out production this crop year is now very questionable.

Food prices to consumers continue to escalate even after sharp declines in prices paid to farmers. At the present time there seems to be little or no direct correlation between prices paid to farmers and the prices paid by the consumer. With increased costs of the past 2 years of as much as 300 percent in basic fertilizers, 100 percent in fuels and 50 percent or more in machinery, seed and other inputs, agriculture will face economic disaster if faced with continuing downward pressure on prices received for production.

In conclusion I would urge the immediate termination of all forms of export controls and restrictions allowing agriculture free access to world markets. Existing laws may need changing. We need assurances from our Government that farmers will have unrestricted opportunities to market their 1975 crop. Under this atmosphere farmers would once again tune their facilities to producing for the apparent world demand.

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I am referring to a letter I received from the USDA, saying that they are legally bound by section 812 of the Agriculture and Consumer Protection Act in the monitoring program. That they have to be furnished certain information on a weekly basis. So we need to change some laws to——

Senator CLARK. Well, I would disagree with that Department of Agriculture interpretation. Maybe you would be kind enough to give us a copy of it so that we could look at it and make it a part of the record. But it is certainly true that in accordance with this legislation they have to keep weekly reports, but they don't have to establish any monitoring system. In fact, they have lifted that monitoring system on some commodities, and I don't think they're inconsistent with the law in having done it. I think they are taking the easy way out in that interpretation. I think it's certainly true that we're saying we want a reporting system consistent with that law so we know what's going out of the country, that we have a better idea where it's going and who is buying it, so that we don't—the reason we did that is because we didn't want another Soviet sale, or going to all of these grain companies and buying separately, and buying at a very cheap rate. We wanted to get a very good reporting system on where it's going. But not a monitoring system. That's in no way required by the law. Who signed that letter?

Mr. KOELLER. Peter B. Pauli, Director of Export Sales Division.* I have only his letter to argue with.

Senator CLARK. No, I understand. I appreciate your bringing that up. We would like to make that a part of the record. I think it's clear that we do want a reporting system, because we want to know who is buying what when, but that's very different from getting prior approval, which is the monitoring system. And I think that's the part that we're really opposed to.

Mr. KOELLER. Well, I happen to believe, myself, that the market prices—the countries that we are concerned about in using all of this grain, are buying grain, that they'll run out of money before we run out of grain. It's pretty obvious now that we have more grain than we can sell evidently, at a reasonable price. I think we need assurances from our Government that farmers will have unrestricted opportunities to market their 1975 crop. And by this, I don't mean we remove the monitoring system today and that's the end of it.

Senator CLARK. I understand.

Mr. KOELLER. I mean I think the Government has to go further than that and say that for a definite period of time, or for the foreseeable future, we are out of the process of monitoring or restricting the distribution of grain.

Senator CLARK. So you don't have that threat hanging over you?

Mr. KOELLER. Right. In 1973 we had a soybean embargo; I mean, that's evidence, that's history.

What I was trying to say, as you so aptly put it, we need some assurances; long-range assurances, not just brief assurances, like today the monitoring is off, and then maybe tomorrow it's back on. Our exporting buyers—or our importing countries, I should put it—they

* See p. 61.

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need these same assurance. I have talked to these men last year. In Washington I met with a man manned—I believe it was Von Braun. And he was very emphatic that they were much disturbed, and they were searching out other sourecs of supply. Brazil—a friend of mine just returned from Argentina, and they had soybeans 50 bushels to the acre down there. And they've got land that they haven't cultivated yet. I think that with the proper atmosphere, farmers would again turn their facilities to meeting the apparent world demand. Considering over every other season whether we should cut back, they could have some assurance, and they could plan for the future.

And Mr. Adkins, who is also from Illinois, who testified earlier—I know him casually, and as a matter of fact, I never had a copy of his program until this morning, but I agree with his philosophy in the storage. If we do get into the storage system, or we have a reserve grain, I think also it should be on the farm. And I think possibly his idea is workable. It takes a lot of thought, probably, and we could work a thing like that out.

Another thing I think we could have is a cash reserve, a world monetary reserve to provide the source of funds to purchase food on the open market. If there is starvation in any particular part of the world, why should it be fair that the burden of the total supply is not only the food itself, but the cash——

Senator CLARK. Now I think that makes a lot of sense. You know, if we came up with that conclusion at the World Food Conference, that we would try to put together an annual fund where we could have that money available to go in and buy on commodity exchanges to feed people. I think that's the best of all possible for the world, I really do.

Mr. KOELLER. I know most of the ideas I have been professing here have been talked about before, but I would like to add my impetus to them.

Senator CLARK. We appreciate your comments.

Mr. KOELLER. I think there is some danger in high target prices. We have to be prepared for a long-range program of maintaining a large volume of reserves of some kind if we get into this program. Because if we're going to raise more food than the market will handle under a program like that, that would have to be a long-range program. And here again, the reserve on the farm might well work into that.

I agree with you, Senator, on the distribution of food in the needy countries. Somehow I guess our country is going to have to be a leader again for the people of this country, because we are the government in a sense—and work out a more feasible distribution system to get this food where it's needed, and not wasted. And as we've seen on TV where the rats and the mice and the animals use it, and the people don't get it.

And I think that's about the extent of my remarks, Senator, and I appreciate having a chance to come up here.

Senator CLARK. Thank you very much. We very much appreciate your coming here from Illinois to testify.

[The following material was referred to on p. 59.]

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UNITED STATES DEPARTMENT OF AGRICULTURE,
FOREIGN AGRICULTURAL SERVICE,
Washington, D.C., February 26, 1975.

Mr. ROBERT E. KOELLER,
R. R. 3.
Godfrey, Ill.

DEAR MR. KOELLER: Your recent letter urging that the Department discontinue monitoring of export sales has been forwarded to this office for reply.

Section 812 of the Agriculture and Consumer Protection Act of 1973, requires that exporters report weekly certain information on their export sales and that the Department publish this information in compilation form. The Department cannot legally discontinue this weekly monitoring activity.

Last September the Department began daily monitoring of large export sales of grain, soybeans and meal. In October exporters of these commodities were requested, on a voluntary basis, to obtain the Department's approval of these large sales before completing them. A loose form of monitoring, it was designed to ward off strong pressures to impose harsh, mandatory export controls on agricultural commodities.

We are sympathetic with your view that this latter voluntary program implies a restriction on potential export markets even though it does not affect normal export trade. It is regarded as a temporary program. It may have served its main purpose and will be further eased or discontinued as soon as possible.

Sincerely,

PETER B. PAULI, *Director*
Export Sales Division,
Commercial Export Programs.

Senator CLARK. The next witness is Maurice Moffitt, an independent farmer from Colfax. Come right on down. He operates a 1,200-acre farm. He is the owner and operator.

STATEMENT OF MAURICE MOFFITT, COLFAX, IOWA

Mr. MOFFITT. Thank you, Senator Clark, ladies and gentlemen. I am happy to testify, but just about everything I wanted to cover has already been stated. But I do want to say something about this monitoring of exports. I feel that that in the last month has really deteriorated. I am for removing these monitors. And I would like to say that we have a lot more storage room on farms, and a lot of our farmers could take care of 2 years of crop. And that's the place to store it.

We have been corn producers, and soybeans and cattle farmers, too. We have lost quite a lot. We raised some purebred hogs and dairy cattle, too. And we lost half or more of our costs in the last couple of years.

Senator CLARK. Let me ask you a question, OK?

Mr. MOFFITT. Yes, sir.

Senator CLARK. We had a program worker talking about farm storage, the storage on the farm. We had a program, as you know, where we loaned money to farmers to buy storage?

Mr. MOFFITT. Yes, sir.

Senator CLARK. Do you think that program has outlived its usefulness, or should we continue that? What is your judgment on it?

Mr. MOFFITT. No, I think it's a good program. We bought beans under that program, and we bought dryers—I did, and my sons did. They own the farm now and operate it. And I don't know if they're

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all paid yet, but it's been a good propgram, and I think it should continue.

Senator CLARK. And I gather from what you said that it's your general feeling that if we are going to have grain in storage, that it should be kept on the farm and managed by the farmers on the farms themselves?

Mr. MOFFITT. Yes, sir. Then if they get in need of the grain, in case of a crop failure or something else, they're where they can redeem the loan, pay it off, and have feed for their livestock.

Senator CLARK. All right. We appreciate your coming down from Colfax.

Mr. MOFFITT. Thank you very much.

Senator CLARK. The next witness is Morris L. Greenley, Iowa Soybean Association, from Independence, Iowa—over in my neck of the woods—Rural Route 3. We are going to continue to go through the noon hour, because I know there are people here who came to testify and don't have a lot of time.

STATEMENT OF MORRIS L. GREENLEY, DIRECTOR, IOWA SOYBEAN ASSOCIATION, INDEPENDENCE, IOWA

Mr. GREENLEY. Thank you for the opportunity to appear here today. Things have been going different ways. As I see it, they are trying to think of all the new approaches they can to the old problems. A short story might tell how farming is tied into this thing today.

Senator CLARK. Fine.

Mr. GREENLEY. I would like to tell you in my story the fact and fiction of farming today. The fact is that I order my tractor a year ahead of time, with no guarantee of the price. It did come within 15 months, but it had a 21 percent increase. I ordered my seed well in advance with no guarantee of quality or price. I ordered a combine 10 months in advance, with no guarantee; it came in 12 months, with about a 7 percent increase. I ordered my fertilizer 10 months in advance, with no guarantee of delivery or price. Those are the facts of farming. And the fiction is that if I told you I wanted to sell my production now with no delivery date, no guarantee of quality or price—well, my point is, I do not want to sell my grain this way.

But I feel very uneasy about the atmosphere of these fluctuating prices to my crop. I say this as a farmer; I farm 1,700 acres. I have a little statement here I would like to read.

Senator CLARK. Fine.

Mr. GREENLEY. Iowa farmers have long shared a policy of abundance, full production, and effectiveness. They believe in private enterprise, the free market system, and that the success or failure of a farm operation be based on its merits or lack thereof. They feel that any Government program should enhance that philosophy.

In turn they accept responsibilities to:

1. Continue to supply a dependable, high grade product to the American housewife at a reasonable price.

2. Offer the same dependable, high grade, reasonably priced product to our overseas buyers—without the threat of controls or embargoes.

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3. Continue to upgrade their product, their effectiveness, and their overall farm operation.

The Iowa Soybean Association feels that in order to insure the continued success of such a philosophy the Federal Government needs to adhere to three basic principles:

1. That the Government hold no grain as a totally owned reserve.
2. That the Government impose no export controls, be they embargoes, stringent monitoring, or cancellations.
3. That the Gvernment uphold the principle of free enterprise and the free market system.

As Iowa farmers, we feel that we would like to see the Federal Government more actively involved in two very vital aspects of agriculture. In order to cover the full spectrum of the agricultural industry, the Government should increase funding for soybean research and for overseas market development.

By matching existing State and third party funds in soybean research, the Government could accelerate yield potential, reduce loss by disease, and bolster production while effectively reducing the overall per unit cost.

By continued or increased funding to the Foreign Agricultural Service, along with State promotion funds and third party funds, the Federal Government can help create overseas markets for the American farmer. This constant expansion and maintenance of our markets is considered by all as our primary objective.

Senator CLARK. That's a good statement. In reference to your last statement about overseas sales, I visited the Soybean Association's offices in Tokyo, and I think they do an excellent job there. They are developing a lot of new ways of using soybeans and so forth. They are doing an excellent job in Japan. I have just two or three questions that come to mind, particularly with regard to soybeans. There has been a lot of discussion here today about overproduction, the fear of overproduction, for all of the reasons that are clear to all of us, I think. Is that a possibility in soybeans? Could you discuss that a little?

Mr. GREENLEY. Well, in my own opinion it is a possibility. But as we have stated here, we feel that demand can ward off this possibility.

Senator CLARK. If we can develop the markets?

Mr. GREENLEY. Right.

Senator CLARK. You think that's the best solution—you can sell it at a price where you can make a profit?

Mr. GREENLEY. Right.

Senator CLARK. Now the second question, should we have a loan on soybeans?

Mr. GREENLEY. Well, if we must go to the loan target route, we feel that we should be cognizant of the fact of the cost of production. Other than that——

Senator CLARK. Do you feel strongly one way or the other about whether you want a loan program at all? That's what I'm asking.

Mr. GREENLEY. We don't see the need of a loan program.

Senator CLARK. For soybeans.

Mr. GREENLEY. Right.

Senator CLARK. But if you went to soybean loans, you would like to see the level established at about the cost of production?

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Mr. GREENLEY. Yes.

Senator CLARK. Where do you live in Independence?

Mr. GREENLEY. South, about 5 miles.

Senator CLARK. That's down toward Brandon? Or by Rowley?

Mr. GREENLEY. We live between Independence and Rowley, yes.

Senator CLARK. Thank you for coming.

Mr. GREENLEY. Thank you, Senator, for your time and for your obvious interest in our problem.

Senator CLARK. Thank you. We will take about a 5 minute recess. We want to give every single person who wants to testify an opportunity to do so.

[A short recess was taken.]

Senator CLARK. Well, we're back at full strength. We will go straight through for the remainder of the day with the witnesses we have.

I might just say by way of summary at this point—and Mr. Clark will be our next witness—but I think we have had some very interesting testimony here today. We have seen a number of illustrations here of different areas of the disaster provisions of the Farm Act. We have shown some weaknesses in the way in which they have been implemented, and in the provisions themselves. And I think that it's clear that they warrant another look by the Senate Agriculture Committee and Congress generally, and the administration, in terms of carrying out those provisions.

I think we have seen, certainly, a number of reactions here about the reserves. That clearly is one of the most controversial issues in modern agriculture. Many people have been greatly opposed to the idea of reserves, and others have addressed themselves to where a reserve, if necessary, should be located.

Some have advocated no export controls, others have talked about where storage might be kept if the reserve is indeed necessary in this country. Many think it should be kept on the farm in grain bins owned by the farmers.

Target prices seem to be one of the most misunderstood aspects of this farm bill, and there has been a great deal of conflicting testimony about whether people even want to keep the target price, some do, some do not.

And there has been universal concern about the loan rates, that we should keep a loan program, that we should not. But the real question that is before this committee as we go on and write a bill this next month to month and a half, is what the level of the loan price should be. I take it from most of the people that have testified here today, that most people feel it ought to be about the cost of production. Others feel almost equally strongly that there ought to be a cost of production loan rate plus a fair profit. I think that gets us down to the basic question of what are those levels, what should they be.

With that summary, let me go on to the next witness, Glenn Willett Clark, professor of law at Drake University. He will testify with regard to the commodity loan program and he is an expert in this area. Professor Clark, we are happy to have you here.

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STATEMENT OF GLENN WILLETT CLARK, LAW PROFESSOR, DRAKE UNIVERSITY LAW SCHOOL, DES MOINES, IOWA

Mr. CLARK. I suspect, Senator, that I will have to immediately issue a disclaimer. I am a lawyer only at a vocational level, but somehow the lawyers always seem to get into everything.

Senator CLARK. That's true.

Mr. CLARK. Yes, it is. My concern, however, with what is happening on the farm scene is born of personal experience. First of all, I was born and raised on a farm, and the strongest and most lasting feelings I have are born with that experience. They are born of the feeling that the modern farmer is producing much more than corn and soybeans and cattle. I believe it's still true that he is a producer of people of character.

We are not alone in believing that there is a crisis. Yesterday the Wall Street Journal reported in the following terms: Farm prices fell by 4% in month ended on February 15, that was the headline. It read:

> Prices farmers received for their crops and livestock fell a sharp four percent in the month ended February 15, the fourth monthly drop in a row.
>
> Contributing most to the decrease, the Agriculture Department said, were lower prices for cotton, corn, soybeans, cattle, wheat and eggs. Higher prices were posted for tomatoes and sweet corn.
>
> But officials stated that the retail prices will rise at high rates through the first half of the year, as the cost of labor, energy and packaging after the products leave the farm is continuing increases. Farm prices have been declining because of weakened demand, much of it due to the recession and to expectations of record crops this summer.
>
> The Agriculture Department's index of prices paid by farmers for commodities and services, interest, and taxes and wages was unchanged in the latest month. The parity ratio dropped to 69 from a revised 71 at mid-January.

Mr. CLARK. Now that is the part that interests me. Prices have already declined due to expectations of record crops this summer. Now this is the nature of organized commodities markets, that they discount well in advance anything and everything that is expected to occur. The other testimony, of many that I have listened to here this morning, gives the feeling that what has happened in the aftermath of a program of attempting to place price controls on red meat, or attempting to monitor exports, and to take control thereof, is testimony, if you want it, of a practical nature, to this truth. This price control program entered into a perfectly functioning market which benefited the farmers, and provided regulation which was nothing more than a cardinal crime against the interests of the American farmer. Now, happily this is one area of the law and of commerce where I can truthfully see the benefits to both farmers and consumers. The future market does contribute to greater stability of producers, it does contribute to lower processer margins. It is to the advantage of the consumer. But its integrity should be protected. Now, I suppose it is the nature of academia to ask some unthinkable questions, and venture some unthinkable thoughts. One of them has been talked about in the journals for about 20 years now. It is this—and I don't know that the time is yet ripe for considering this alternative, but let us get it out on the public marketplace for ideas. Naturally if we desire to have—and we do—some underwritting of the minimum sums

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to be received by farmers, in terms of price supports, is it possible that we have been doing it all wrong for 40 years? Is it possible that we really can't do this by attempting to intervene in the cash markets. Does there exist that possibility that government, in pursuit of this objective, should instead intervene in the futures markets? I have no answer for that. I simply know it should be explored. The theoretical possibility does exist.

As many of you can and have told us here, there is a terrible problem in agriculture today with the supply of cash. Now, farmers aren't going to shut up shop, and Secretary Butz go off to Nausau or the Bahamas, or wherever, because the price of grain in one year dropped below the full average cost of production. If the farmer can meet out-of-pocket expenses, production of grain and/or livestock goes on up, but what is happening is an erosion of the productive capital base that you have had. We are told that our utilities are suffering. That is true. They are, temporarily, and we will have to pay higher rates to build and prepare for the production of electricity, but food is given hardly any thought. Programs are initiated without thought to the preservation of the land used for the planting of the indispensible acreage, irreplacable farmland that produces food for this country and for the world.

One very important development in the last year, for which Senator Clark should claim full credit, but probably does not, is the enactment of the Commodity Futures Trading Commission Act of 1974. This was passed by Congress over the unwillingness, really, of the administration and the minority party. I should say that I am a registered Republican, and I formerly served in the State government of this State, but I guess it goes without saying, let credit be given where credit be due. What is happening now is perhaps very far removed from your present concern, but it seems to me it is of great importance and needs attention. You know, I am sure, from your experience, that one agency says one thing and another agency says another thing. Right now we have got a good deal of conflict in that regard with reference to the Commodity Futures Trading Commission. It is due to the efforts of Senator Clark and others that the Commodity Futures Trading Commission is now being created, but the White House continues to dillydally. Formal nominations of the Commissioners have not been made, and we are looking at a necessary implementation by April 21. Will someone get the show on the road? In the meantime, the Securities and Exchange Commission, apparently having nothing better to do with their staff, has entered the commodities fray. The argument being that if you buy and sell bags of silver coins, that is a security. Most of us would think of it as a commodity. The SEC says, no, there is more than a commodity being exchanged, because some danger exists that the vendor will write a rubber check. Well gentlemen and ladies, if that is the criteria, I take it that American Beef is an issuer of a security, and they can sell this security to you registered or unregistered. Bluntly put, this is not what the securities laws are all about. And what is the SEC doing in restraining activities in commodities markets when it certainly has plenty to do in high finance. Let us rejuvenate the commodities market, for the protection of the American commodities producer, market participants, and this

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U.S. agency's own independence—the independence and integrity of the Commodity Futures Trading Commission.

Senator, those of us in the academic community who have followed your efforts thank you, and we are grateful to you and to your constituents for the knowledgeable and intelligent support of the scheme of commodity futures market regulation, not yet born, which depends a great deal upon your good will if it is to do what it was intended to do.

Senator CLARK. Thank you very much, Mr. Clark. I think your point is well taken that we have to get the Commissioners appointed to the Commodity Futures Trading Commission, because that law is about to go into effect, and for reasons that are not at all clear to me, we have not had the appointment of the Commissioners yet. It is going to have a much greater impact than many people might imagine, because it is desirable that that act be implemented.

Jack Sutherland of Gilman. Jack, are you here? Come right on down. Now, there is a law against giving politicians gifts. It is a new law we passed.

STATEMENT OF JACK SUTHERLAND, GILMAN, IOWA

Mr. SUTHERLAND. Is there a law against them giving me a gift?

Senator CLARK. No, I don't know of any. You proceed in any way you think appropriate.

Mr. SUTHERLAND. I can remember 1929–30, there were horses to farm with, because tractors had to set up in the shed for lack of gas—and Rockefeller didn't furnish my gas and that could very well happen against this year. I can remember 1934 when Roosevelt got farm practices started, and started the ever normal granary. Is surplus a bad thing? Corn sold for about $1 in 1936, and factory wages were something like 30 cents, and the factory worker never complained, and they have been benefited by so many of the things we have done. But just look what happened, the farm surplus was carried to the front page of the papers day after day, and year after year. In 1945 the Chamber of Commerce got into the national headlines by saying plow under 50 percent of the farmers. They were plowed under eventually 85 percent. Still, surplus is a dirty word. I can talk more freely now that the cameras are gone. And I forget some things to say, so I brought along a few reminders. I want to show you what is wrong with the farmers. The city people can't understand our problems, so they turned around and gave Nixon a landslide. So we didn't get ahead of them that time, certainly. But you have heard today where we are going to fight with each other, and we are not going to stick together. But now we have our own organizations against us. Here is the world price of grain. This is the Common Market in Europe.

Senator CLARK. Common Market prices for the record, let me say, cattle is $95, corn $5 a bushel, beans $8 a bushel.

Mr. SUTHERLAND. And they make up the difference, like the price of cattle in Canada, they have $50 cattle; the packer pays $40, the government pays $10, to make up the difference, and there is not much talking. New York housewives—we don't care what happens to you farmers, because these poor starving people in the city have got to have food. During a question and answer period at a meeting I was

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at. I listened to much of what was said for you poor people in New York City, as you have—but how do you help? You had the pleasure of voting the richest man in the world for governor. Didn't that make any difference. Really, the cattleman is the lowest paid man today. That cattleman has survived despite everything. They say there is no subsidy on imported beef, bring that beef over here and sell it for half of what a beef here would cost, and I have tried for 2 years to get Congress to try to investigate that subsidy, but Butz has immunity. There has been no outsider that had any clout in Congress, as I can remember, until just lately. Now we have a woman. If the farmers would just get together and hire Fanny Fox as a lobbyist——

Senator CLARK. She has a job, doesn't she?

Mr. SUTHERLAND. Well, it's just to pay the other guy. So I want to end up with——

Senator CLARK. Now, I hate to interrupt you——

Mr. SUTHERLAND. You haven't interrupted me yet. How long does that—if Nixon takes the import quotas off of beef, is it still in force?

Senator CLARK. State that again.

Mr. SUTHERLAND. Well, Nixon took the tariff off the beef a year and a half ago, and it is still in effect. Why wouldn't that stop after he left office?

Senator CLARK. Well, speaking legally, when one President leaves office, it doesn't necessarily mean that the policies he made go with him. That is up to the President. In other words, there is a concerted effort on the part of the President to continue those programs.

Mr. SUTHERLAND. Why can't Congress stop that?

Senator CLARK. Congress could, if we could get 50 percent to sign it. They can do anything as long as it is consistent with the administration. Under existing laws, the President is given certain authority to raise and lower within the law, and that is what has happened. But certainly Congress could.

Mr. SUTHERLAND. Now, Congress says we are going to stop that authority.

Senator CLARK. The authority on——

Mr. SUTHERLAND. On a lot of things, especially the impounded funds.

Senator CLARK. Yes, that is true, and that has been continued.

Mr. SUTHERLAND. And I wondered about the 4 billion that went for the hot lunch program——

Senator CLARK. Forty million dollars.

Mr. SUTHERLAND. Four billion dollars for hot lunch and $4 billion for food stamps.

Senator CLARK. Four billion dollars this year?

Mr. SUTHERLAND. I don't know, several years ago, I guess. Anyway, the budgets to the land-grant colleges this year was increased another $50 million, making it one-half billion dollars, while everything the farmer has was canceled. And now they got another $50 million. In other words, today the Agriculture Department is the No. 1 enemy of the farmer, and the No. 1 starter of the depression. Will Rockefeller put a tiger in my tank when I go out to the field this spring?

Senator CLARK. I'll see him tomorrow and I will ask him. Thank you. The next witness is Raymond Heck, farmer from Perry, Iowa.

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STATEMENT OF RAYMOND H. HECK, PERRY, IOWA

Mr. HECK. I am glad to get the opportunity to speak, and I am glad we have so many opinions in the audience today. Some I agree with and some I don't. But I am kind of disappointed that you don't have a bigger crowd. I was at a local meeting last night that had several hundred in attendance. The farmers wanted to do something about cutting production this year. But that is not what I am here about today.

I am strongly against the embargoes and the export monitoring. We have truth in lending and consumer protection agencies; but what I think we need now is truth in Government. We have this export monitoring. Officially you were allowed to sell 100,000 tons a week to a foreign customer or half of that amount a day for days, as long as it didn't exceed that in a week when this was first instigated, but that didn't seem to be the case. If this was carried out as it was stated publicly to us farmers our markets today would be similar to what they were then. Maybe higher. I talked to a foreign grain buyer, and he tells me they would gladly buy more grain, but the problem is our government, not the price that they have to pay. They wanted to buy a specific amount of grain, which was the normal annual figure for them. They made their tender in the usual way. I saw this come over the ticker tape. The next day it came over the tape that they deferred and only took half of what they intended to buy. He told me they didn't take that half because they didn't want it, but because our Government told them that was all they were going to get. If this export monitoring thing was working, like we farmers are being led to believe—they could come in every week and buy a small amount, but yet he tells me they can't buy any. We have a few large grain companies that control all of the sales. It goes through them, because they have the license. All right, naturally this one buyer is going to tell this grain company, I can't buy this grain because your government won't let me, but the thing is—they aren't going to tell the farmers, the only people that know is that buyer and that grain company. Okay, so this grain company knows, and after this happens once or twice, they know this market isn't going to get alive, so they can set up there and keep driving prices down on the board of trade, because they know there isn't a chance for rebound. I am talking particularly about corn now, but I think it has happened in all commodities. We are working on the wrong angle here. Just think of the profits that were probable, and probably were made. If it is like I think it is this should be investigated. It is the Senate's place to do that. We have got to do away with this monitoring system altogether. It is our State Department that controls it, and we are just hacking at the wrong guy when we go after Secretary Butz. We farmers have spent our money freely to purchase the thing we need to produce. We pay dearly for the things we buy. We were guaranteed a free market, and we took our chances, but we didn't know that when we chanced it that they were going to change the rules in the middle of the game. It takes a lot of time to set up something and you just can't change your plans every few months in agriculture. I am for free agriculture, and I think if they would truly let

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this be. and sell this food on an open market, that we can't produce a surplus for an extended time. We might occasionally, but overall we would all be better off if we would stop trying to legislate the profits. True supply and demand will take care of the whole thing, I think. I am not talking about just experience in my own neighborhood. I have been on practically every continent. This is just my personal observation, and I have spent a lot of time going out and talking to a lot of farmers. I firmly feel that we could survive on a open market. We can produce grain cheaper than anywhere else in the world. So I think that these export controls should be lifted. I heard on this morning's radio that they were considering relaxing the controls a little more in a few days, but just relaxing them isn't going to do us any good. This is what we hear publicly, and behind our backs they are saying to our foreign buyers, you are only going to get so much. I would like to know why these big grain companies are entitled to know in advance. We farmers are sitting back here holding on for a market that isn't there, because we haven't been informed. These grain companies know that their foreign customers are not going to get their wants. The demand is there, but if this monitoring system continues, even for 2 or 3 months more, I think that we are in trouble pricewise. I don't think we need a farm program. The price is low enough now that the people can buy at a reasonable price. Maybe it won't go back to where it was. But there is a demand, and I am sure of that, and I am willing to take that gamble.

Senator CLARK. A lot of people don't realize the degree to which we are dependent upon those export sales. I think soybeans—something like 75 percent of all our soybean production is sent overseas, 60 percent of all our wheat, 30 percent of all our corn. We are very interested in maintaining good relations with our export buyers.

Mr. HECK. I think it is stupid. We are supposed to be the richest Nation in the world and we seem to think we have to have the cheapest food. I don't know why we can't compete with the world. We compete for everything we buy to produce a crop. I can't see why we need Government. The more we can keep Government out of this, the cheaper we can produce the food for the rest of the world.

Senator CLARK. I think the part of your statement that we haven't heard discussed here today before is well taken, about the question of the nonagricultural departments of government prevailing in the export monitoring and other export controls. I think that is quite true. I think the State Department has really become the predominant party in that situation. It is true not just in food.

Mr. HECK. No, it is everything.

Senator CLARK. It may well be that it is just the force of strength, or personnel, or whatever, the present Secretary of State, but we see it in a number of areas, and we see it in the world food situation, and it seems to me that that food policy is very much geared to our foreign policy. This is all tied into what the agriculture is doing. We make certain friends and enemies within the policy structures, and we should have the interest of agriculture necessarily prevalent in that. We know, for example, when those export controls were put

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on, it is my recollection at any rate, that the Secretary of the Treasury was called in, and the Secretary of State, and the Secretary of Agriculture. And any of those combinations that we have seen in government, the Secretary of State tends to prevail. And that is true even in oil, but we are not here to discuss oil today, but it is the same thing.

Mr. HECK. I am not here accusing anybody of any wrongdoing. But the grain companies—and I know that this is only human nature—could drive that price down and fill their pockets with a Government guarantee that exports would not be allowed to accumulate to the 1 billion 300 or 400 million bushels that was booked. There was a possibility of this happening. This is the thing that isn't right. The whole population should have had access to this information. Not just a selected few. We have held our crops on the Government's word, and the Government's word isn't what it was supposed to be. If the export controls are allowed to continue as they are now the Government should take control of the grain companies or at least limit them to a normal profit on what grain they sell. I am not advocating that the Government should take control.

Senator CLARK. Thank you very much, we appreciate your comments.

Mr. HECK. Thank you.

Senator CLARK. The next witness is Roy Bardole.

STATEMENT OF ROY BARDOLE, RIPPEY, IOWA

Mr. BARDOLE. Senator Clark, I don't wish to consume a lot of time. I would like to say some things that those who came with me today wanted to say. We are also very strongly opposed to the embargo. We are strongly opposed to United States' held grain reserves, Government held grain reserves, and we are also opposed to target price, too. Right now in the situation today we are asking one segment of agriculture to subsidize another segment of agriculture, and that is the subsidizing of the cattle industry. It isn't right. It isn't just. We have heard a lot of testimony one way or the other, and if loans are made, I very, very strongly feel that the loans on the grain should be on recourse basis, and not along the nonrecourse basis lines.

There are three other points I would like to make, too. I feel very strongly that our grain grading standards need to be reassessed and remade. These are some of the things I take a beating on when I sell my grains; I have to sell No. 2 basis corn—that is a 56-pound test weight, but when the elevator sells, they sell 54-pound rate, because that is legal No. 2 corn. I can't afford to dry my grain, so it will keep. I can't sell as much moisture as I am allowed for No. 2 corn. When I sell oats, the test weight is supposed to be 32 pounds per bushel but if my oats don't test, sometimes it's 36, sometimes 39, I am docked because they weren't heavy enough. It's just not one elevator, it's all of them that I know of. If it is a standard weight of 32, I shouldn't be docked if my oats don't test 39. Our export standards I feel very strongly need to be improved and made much more stringent. It makes me cry when I sell grain that is high quality grain, No. 1 grain, and by the time it reaches the Gulf of Mexico, and is in

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barges and ships for overseas markets, it's cruddy, it's sad. It's not fair for the American farmer or to the buyer. We depend on those export markets, and we need to see to it that we supply more quality grain. The grading standards and export quality standards kind of go hand in hand, in that if we can afford to dry our grain, to 13 percent moisture, it won't spoil in transit. If it is 15½ percent or more, and it stays in a hopper car or someplace for perhaps 2 or 3 months, you are going to get rotten grain. These go hand in hand, and they are important issues. And the issue of the grain reserve, I am opposed to a U.S. Government held grain reserve for the purpose of keeping the farmers prices down, or for that matter, for supplying a ready supply of grain to nations overseas. Why should they come to me and say your nation has to maintain a grain reserve so I can buy from you. Other nations have the same opportunity to buy on the open grain market at the price, or maintain their own grain reserve to sell at a lower price for times of shortage. Why should we supply their grain reserves? This is all I have to say.

Senator CLARK. You have covered a lot of ground. Let me ask you just a couple of quick questions. When I was in Japan in January, I talked to a lot of government officials about the possibility of establishing a grain reserve in their own country. Have you heard any discussion about that? The idea would be that because land and storage is so difficult to obtain in Japan, that storage is a real problem. And some of them have proposed that if they bought these commodities and it is that they want to take them out of our market, and they owned them as if it were in market. It cannot be sold back higher, but simply stored here to insure themselves of a regular supply. What is your reaction to that? Does that make any sense to you?

Mr. BARDOLE. I have not thought that through completely.

I wish I had a better idea on that. To me it is a reasonable part of a solution. I have no idea, though, how it could be—to say you may buy the grain, but it can't be put on the market?

Senator CLARK. In this country, you mean?

Mr. BARDOLE. Yes.

Senator CLARK. Well, I think we could write that into the law. We could permit them to legally resell it.

Mr. BARDOLE. If this were true, I think it is only fair. I would like to see each nation hold their own grain reserve. It doesn't make sense to me as a taxpayer to be paying someone else—storage expense.

Senator CLARK. The second question you asked, that the grain farmer subsidizes the livestock man. Explain that a little.

Mr. BARDOLE. He is right now by the export controls which have driven the price of corn down, not to a level that the livestock farmer is making any money, but it is better than if he was buying three and a half dollar corn for this cattle. I believe in an open market, and I believe that if the government would have literally left their hands off the grain supply, the market would have dictated a good supply of grain, so that there never would have been a real shortage in grain.

Senator CLARK. Your statement, I think you say real clearly that you are opposed to the continuation of the target price. You favor a recourse program?

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Mr. BARDOLE. Yes.

Senator CLARK. But would you advocate any kind of governmental action in the area of non-course loans or set-aside programs?

Mr. BARDOLE. No.

Senator CLARK. You do not advocate that?

Mr. BARDOLE. No.

Senator CLARK. You would not advocate those at all?

Mr. BARDOLE. If a loan program has to be——

Senator CLARK. It doesn't have to be.

Mr. BARDOLE. I am opposed to it, yes sir.

Senator CLARK. OK, we appreciate very much having your point of view.

Mr. BARDOLE. Those were just my opinions.

Senator CLARK. And that is what we are here for today.

Mr. BARDOLE. But I think if we all get our opinions to you, it will help.

Senator CLARK. Yes, and so do we. Thank you very much.

Mr. BARDOLE. Thank you.

Senator CLARK. Our next witness will be Jack Parsons, a farmer from Louisa County. I was on a panel not long ago down at Muscatine, Iowa. We have a lot of interesting things to say there. We are happy to have you here today.

STATEMENT OF JACK PARSONS, WAPELLO, IOWA

Mr. PARSONS. Mr. Chairman, I wish to thank you and the committee for the opportunity of presenting my records on the cost of producing a bushel of corn.

I am Jack Parsons, a farmer from Louisa County, Iowa. My only income is and always has been from farming. My wife and I started farming in 1947, and for 16 years we were considered a grain and dairy farm.

We have since changed to a grain, beef cow, and sheep farming operation. At present we raise between 400 and 500 acres of corn, and 150 acres of soybeans per year. Our cow herd consists of 58 beef cows. The offspring from this herd are raised and fed for slaughter market. My wife and I do all of the farm work with the exception of seasonal day labor.

I mention this only to show that my background, and my life, is farming.

For the past 8 years, I have maintained a set of records on the cost of producing a bushel of corn. The figures shown on the sheet attached to my statement are my own farm records.* The yield used to determine the cost for 1975 is my average corn yield for the last 8 years, which is 137 bushels per acre.

I could review the cost data with you, but I believe it is self-explanatory.

To me, the most important thing is that the CCC support loan price on corn exceeded the cost of production from 1967 to 1973. The cost of production has increased about 120 percent in 1973 and

* See p. 76.

1974, compared to only a 6.5 percent increase in loan rate. My estimate cost for 1975 is fairly accurate because I have purchased fertilizer, herbicide, insecticide, and seed. However, they do not include storage, liability, workmen's compensation, casualty and hail insurance, legal and accounting expenses, tax reports, and other expenses too numerous to mention. If these expenses had been included, I would have to add 18 to 20 cents per bushel to my cost of production for 1975.

Corn production for 1974 has been set at 4.6 billion bushels. The corn price at present is about $2.40, and the grain trades seem to think that a drop to $1.70 to $1.80 could be expected. Now, if we have these prices now and are expected to go lower, what in the world are we going to do with next year's crop of 6.2 to 6.7 billion bushels next year?

Cattlemen today are in very deep trouble, and there doesn't seem to be any relief in sight. It looks like the grain farmer will be next, followed by pork producers, and so on down the line.

We, the American farmers are 4 percent or less of the U.S. population, and if this takes place, we will be fewer yet. Mr. Frick made the statement that, "a few farmers going broke is healthy for agriculture." I'm sure that in his eyes we should have an extremely healthy agriculture in the near future.

In visiting with my banker and some bank directors in different banks about our depressed grain and livestock prices, they were all of the same opinion that farm credit or loans will be given a much closer look, and that their purse strings will be tightened. With this happening now, I'm sure that it will be reflected in an all agribusiness very soon.

The Department of Agriculture has asked us, the American farmer, for all-out production. If we are expected to have all-out production, the loan price for the total production should at least equal the cost of production. Furthermore, if our Government can loan money to foreign countries at 3 percent interest, why must the American farmer be penalized by paying 9⅜ percent?

I personally doubt if we can stand all-out production and I think that you in the committee should have an acreage retirement program ready to put into use this spring, along with the corn and soybean loan program.

Gentlemen, I thank you for the opportunity to be present and express my views on agriculture. I'll be happy to answer any questions.

Senator CLARK. Thank you very much, Jack. I know you say corn at present is $2.40, and just to be clear for the record, where is that?

Mr. PARSONS. Today it might be back to $2.50, but that was my river price.

Senator CLARK. Just to summarize, what do you think the Committee on Agriculture and the Senate ought to do by way of target and loan prices?

Mr. PARSONS. Well, I feel the loan rates should be equal to the cost of production. I think that would be a minimum, and 90 percent of parity for target price.

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Senator CLARK. Would you favor implementing this escalator clause where the costs of production changed, and the target price would change with them? Earlier witnesses, I thought very appropriately, suggested that how do you write something when in 3 months from now it is going to be different, the cost of production is going to be different. You can't write a bill that is going to be meaningful for very long. Yet in the bill we wrote 18 months ago, we wrote in a clause that as the Department took their analysis of cost of production, if it increased, the target price would increase with the increase in the cost of production. So we could keep the bill up to date. Does that make any sense to you?

Mr. PARSONS. Yes, I think that is very truthful. I guess the main thing is that the cost of production in there is quite a different thing. I challenge the cost of production of our State college here, as my cost of production is figured on the nitrogen that is available, and what it is going to do to my cost of production. There is a big difference in the cost of nitrogen, and that is liquid nitrogen. There is no way we can get everything delivered by this spring to cover all the acres of corn.

Senator CLARK. Well, I think your costs of production are realistic. It's hard to infer what they will be, whether they will be realistic in your case, and it seems to me that is all you could vouch for. One of the problems is that it's probably going to be somewhat different in another person's case. You can get a national average, or you can get a State average, but I suppose if anybody bought valuable land and paid for it, didn't owe anything on it, then obviously they could produce their corn much more cheaply than those that didn't own their land. But it seems to me that the value of your testimony is that you have documented very clearly what your costs of production are. That is the only means of determining cost of production.

Mr. PARSONS. I think this would be the biggest problem in presenting this cost of production. That is the only problem I can see, and I think that it's good that I did. If we can get some kind of a realistic cost of production—up and down the line—that still leaves open the question of what a fair target price is. But that is always a worry that you are going to have to gamble with at some point, anyway.

Senator CLARK. Thank you very much.

Mr. PARSONS. Thank you.

[The following material was referred to on p. 73.]

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Year	Dollars per acre of land times interest equal cost charge per acre		Seed costs per acre	Fertilizer costs per acre		Insecticide cost per acre	Herbicide costs per acre	Machine labor costs per acre	Total costs per acre	Bu./per acre yield average	Cost per bushel	Government price support
1967	$500×5½%	=$27.50	$5.33	166 84 84	$22.50	$3.20	$6.00	$29.93	$102.76	130	$0.79	$1.06
	Taxes	= 7.25		Lime	1.00							
	Total	= 34.75			23.55							
1968	500×5½%	= 27.50	5.33	190 136 136	24.20	3.20	6.00	29.10	102.83	120	0.86	1.06
	Taxes	= 7.50										
	Total	= 35.00										
1969	550×5½%	= 30.25	6.00	209 136 136	25.10	3.20	6.00	29.29	108.34	140	0.77	1.06
	Taxes	= 7.50		Lime	1.00							
	Total	= 37.75			26.10							
1970	600×7%	= 42.00	8.09	200 120 140	27.90	3.20	6.00	33.09	129.28	128	1.01	1.06
	Taxes	= 8.00		Lime	1.00							
	Total	= 50.00			28.90							
1971	650×7%	= 45.50	12.09	196 120 140	27.90	3.60	5.70	37.09	142.08	140	1.01	1.06
	Taxes	= 9.00		Lime	1.20							
	Total	= 54.50			29.10							
1972	700×8%	= 56.00	12.00	200 120 160	30.00	3.60	7.68	43.06	163.38	160	1.02	1.06
	Taxes	= 9.64		Lime	1.40							
	Total	= 65.64			31.40							
1973	850×8½%	= 72.25	12.00	200 120 140	30.00	3.60	7.68	48.00	187.10	150	1.24	1.06
	Taxes	= 11.66		Lime	1.90							
	Total	= 83.91			31.90							
1974	1,000×9%	= 90.00	12.20	200 120 140	54.00	3.60	8.26	60.00	241.81	130	1.86	1.13
	Taxes	= 11.65		Lime	2.10							
	Total	=101.65			56.10							
1975	1,050×9%	= 94.50	17.00	190 120 140	95.00	6.36	12.00	64.00	303.52	137	2.22	....
	Taxes	= 12.16		Lime	2.50							
	Total	=106.66			97.50							

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Senator CLARK. Jack Gipple, from Columbus Junction, Iowa.

STATEMENT OF JACK L. GIPPLE, COLUMBUS JUNCTION, IOWA

Mr. GIPPLE. Mr. Chairman, I commend and thank you and your committee for scheduling this hearing on matters pertaining to agriculture and for the privilege of testifying and expressing the thoughts of many farmers on the needs and assistance of a REAP program for this area.

I am Jack L. Gipple, a farmer from Louisa County, Iowa, owning and operating 640 acres in partnership with a son. We raise hogs, corn, soybeans, and a little hay and oats.

Even though I have served three terms and am presently serving my ninth consecutive year on the county ASCS committee, I speak as a private citizen and shall try to convey to you the thoughts and wishes on general of most farmers and agriculture associates in my area and neighboring States.

This is a great Nation, a Nation where we farmers are striving hard to take care of and preserve our natural resources and environment so that recreation and wholesome living may extend to all our people and future generations.

The funding of ACP, REAP, RECP, et cetera, for the past four decades has been most effective in preventing soil erosion and water pollution and no other Federal funds have been used more wisely for the preservation of our soil and water for now and for future generations.

My family and I live on the farm I was born on, and there is a need for some conservation practice every year. As I visit and work with my neighbors, I see many conservation and erosion control practices that should and would be performed if more financial assistance were available.

As you know, costs of performing conservation practices have multiplied threefold over the last 25 years, and farmers out of pocket money for nonincome producing practices is very limited. Since the termination of the feed grain or set-aside program we are being asked to produce more food and fiber, and the natural cover has been taken off of the land. We feel the environmental program is everybody's concern, as every year, many hunting parties from urban areas come to our farm and enjoy hunting and recreation without cost.

We have had soul searching experiences by the executive branch, that has eroded the confidence of vast numbers of farmers. As a county committeeman, I find it very hard to understand why the conservation program, which is at least or more than matched by farmers with their own money is constantly cut or withheld. This kind of handling of the REAP program is certainly not in keeping with good conservation measures.

In my county there are very few practices in the 1974 program farmers really want (almost entirely dictated from Washington). If we could have our 1970 program back we could do more good. What we need is a definite conservation program that can be depended on to continue from year-to-year and funded at a level com-

parable to present conditions. Practices should be developed by community and county committeemen rather than at the Washington level. and should be those in effect for the 1970 program plus additional practices that may be warranted. (Which were more workable and realistic) as different areas of the country have needs for different practices.

At this point I would like to quote Assistant Secretary Clayton Yeutter, representing USDA before the National Association of Farmer Elected Committeemen, which I attended, in Washington, D.C., July 8, 1974, and I quote:

> County committees will carry more responsibility than they have in the past for assuring the effectiveness of the conservation programs. They will have to focus the conservation effort on high priority conservation needs, and help farmers raise their conservation goals. Literally, the county committeemen will make or break the agency's conservation effort.
>
> ASCS offices and committeemen will both become even more crucial in the development of the policy process, and in communicating the emerging needs of farmers quickly and accurately.

A great deal of interest was shown the long-term agreement program by producers, but finding the amount of funds discouraging, many turned away.

In our county our entire 1974 annual program funds were allocated by May 1. Eighty percent of the approvals had been started or substantially completed at that date—and the balance were to be started shortly. There were 4 tilers and 5 vendors with earth moving equipment working as of this date. Fifty-six additional applications averaging an estimate cost share of $1,500—totaling $84,000—of which the majority were ready to start if funds had been available.

Our 1974 annual program allocation was $13,200 plus $8,250 in June and July. In view of the above figures I have presented, I wish to point out we were treated fairly by the Iowa ASC committee and district director.

If funds had been received at the proper time, we could have used 240 percent more than we were allocated.

In the year of the Soil Conservation and Domestic Allotment Act's inception. $1 of every $17 of our national budget was for these purposes. If the REAP program were now funded at $255 million, it would be only one of every $2,300.

In summary, and in view of this testimony, REAP is everybody's concern, and I feel these unjust confrontations concerning conservation should be corrected now.

Namely: 1. All of 1975 to spend and perform 1973 and 1974 practices due to impoundment and withholding of funds at undesirable times.

2. Release the 1975 funds in full immediately so we can get the 1975 program under way.

3. Work toward restoring funds to their historical level of $500 million, or more on an annual basis.

4. Reinstate the authority of county committees to decide the proper conservation practices and disposition of REAP funds in their resepective counties—thus, limiting and releasing SCS employees to their own major field of technology and engineering of construction projects.

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May I add in closing I applaud you and your committees in your untiring efforts and performance in these trying times concerning ACP-REAP-RECP, or whatever it may be called in the future.

I do not represent any specific organization, but I believe these views are fully representative of the vast number of farmers I have associated with.

I know Jack Parsons, he is a neighbor of mine, and I certainly concur with what his statement said.

Senator CLARK. We appreciate your comments very much. I am happy that we had a witness here who really addressed himself to the long-term problem of soil conservation. In the long run, it may be the most important question we face. For reasons that are very unclear to me, it seems as though the administration we have had want to cut those necessary conservation funds, and it's just not clear to me why it would not be a good investment to maintain the land we have. That doesn't mean there hasn't been some bad measures implemented, there have been. But I am saying that each time the budget comes up, that we cut those programs. And why we cut those programs is just beyond me.

If we are going to talk about food production, we are talking about the whole issue of clean water, and clean air, and good land. And every one of the emergency measures that this country faces are involved in soil conservation. What is the reason for that? Why has each President or Budget Director whom we have ever had end up with the power to cut these funds out? Do you think you have any explanation for that?

Mr. GIPPLE. No. I think they should be increased. But then, I am not even asking for an increase; if we can just keep the thing the way it has been allocated in the past, that's all I'm asking. I hope we can increase the forestry improvement program as we learn more about its true value, I really do—but I fully expect these practices to be determined by the farm community. Our SCS men have this on record as their main priority. We need something else than a 6-year program. If we are going to hold erosion down, it should be right where that rain drop falls.

Senator CLARK. We appreciate your testimony. I have assigned a person on my staff to work on soil programs. We are going to be much more active in that field. It is one that has been highly neglected.

Mr. GIPPLE. When you start to till the soil, the other arts have to follow in order.

Thank you.

Senator CLARK. Jim Cox? Jim was going to talk a little earlier, and now we've finally got him in here.

STATEMENT OF JIM COX, CANTRIL, IOWA

Mr. COX. I'm just a plain old farmer, and as a lot of you probably are, I am trying to make a living and buy this high-priced machinery, fertilizer, and seed. It takes a lot to produce a little food.

I'm going to quote you some figures, people. Right now anhydrous ammonia is $300 a ton; 4 years ago it was $70 a ton; last year

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$168. Now, I'm not a mathematician, but starter fertilizer 4 years ago was $86; last year $168; this year $228. I have gentlemen with me who called dealers last year asking him if he would quote a price on ammonia at planting time, and he would not.

I oppose any export monitoring—it's export control. They can call it that if they want, but we know what it is. They say supply and demand; well, if the demand is there, let's get these dollars back from overseas. And if they put export controls on our food products, why don't they put them on everything else that goes overseas?

I have an answer maybe to this grain reserve, and maybe a way to get better production. This target price set-up looks fine on paper, but maybe you don't know. It will take 5 months' average maybe to see what the grain market is. If you sell corn during that 5 months, at $2.25—say that's the bill, and it averages out at $2.26 over 5 months, from October to February—if it averages out $2.26, forget it, because you're not going to get a penny. If you did get that money, that's taxpayers' money. Let's raise this loan support to $2.25.

The storage has got to be on the farm, because you farmers have bought these commodities credit bins. There's your $2.25 loan. You have control over your loan, you get your money to pay the bills—which we all have—they've got to be paid.

Administrative process is all right. All I've got to do is go over, and they measure my grain, and they got the paper right there, and they write me out a check. When I sell that corn, I pay off the interest, and I pay off the principal. The interest goes to the Government. The farmer gets his money, and also this will hold up his price.

In 1970 I sold corn—89 cents for corn just 4 years ago. And we also have to have a support on beans. I'll give you my idea—five and a half. Let me see—and also, I want to stick up for the livestock man. I am a grain farmer, and have been for many years. If this grain price goes to pieces, the livestock guys will be there. Now, these livestock men raise grain, but if they would like to sell this grain—when they cut back on the production of livestock, what are you going to do? You won't have a chance to maybe make a profit.

And I'll just sum up with one little statement. If anybody here can justify to me why my price should be affected by a bunch of gamblers at Chicago Board of Trade, then they will have to explain it to me. Thank you.

Senator Clark. Thank you.

Mr. Cox. Thank you very much.

Senator Clark. The next witness will be Don Burgeson; a farmer, Rural Route 2, Story City.

I have heard today that there was not adequate publicity. In our normal way, we sent out to all the media in the State, letters advising them of today's hearings here. We wanted everybody to know about these meetings. So we'll proceed now with Don Bergeson.

STATEMENT OF DON BERGESON, STORY CITY, IOWA

Mr. Bergeson. Senator Clark, my name is Don Bergeson. I am a small Iowa farmer engaged in a life and death struggle to finan-

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cially survive and preserve what I consider my way of life. Now that in itself may not affect any of you here or anywhere else for that matter, except that it might just be the most important thing any of you will ever ponder in your lifetimes. And I know that some of your decisions affect my life as an average American every day.

I've heard it said that a person should let a sleeping dog lie. I stand here to tell you: It's no dog—it's not sleeping—and it's literally no lie! I can only justify my being here because I sought assistance from a self-help program which our Government had previously and wisely had the foresight to provide. My problem involves not only me—but multitudes. Besides being one of the areas for which this hearing had been called.

I was involved in what was then a Presidentially declared natural disaster area; suffered the effects to the fullest possible extent * * * applied through channels * * * and have been twice denied and once temporarily appeased—or is it stymied—by the FHA? My disaster loss has only worsened! I have absolutely no criticism or complaint with the law or its intent, but do have for the agency responsible for its administration and what has to be the "thinking" behind some of our contemporary national actions and the signs of our times.

Yesterday I drove to Kingsley, and would have directed my words more to my farmer compatriots and a few others hopefully that might have been able to salvage something worthwhile from what I was going to say.

The issues were the locally and current problems of what I called: robbery and relief—bonding and emergency loans. Today I had intended to be more direct on the assumption that our Congress really wants to know what it can do to improve its services, wants ideas, and information, besides wanting to know how well some of its programs are administered for all of us—and that's why I'm here.

I know little firsthand about the bonding issue and will pass over it in favor of others more involved. However, I would like to voice favor—for both moral and civil support of victims of what I termed "Robbery" in what would have been yesterday's presentation. I had suggested that the problem goes much deeper into our socioeconomic makeup—and before we treat a symptom—why not pinpoint and attack the disease?

Relief and the USDA is another matter. I've said it all in different letters to many people, from Secretary Butz on down, and to repeat it all would take time I do not seek, regardless of how well it accumulatively might prove my points. My complete story and correspondence has been available to any who might have sought it.

I found the FmHA in Story County—and subsequently the State and Nation—a busy, do nothing, no service bureaucratic mirage. The personnel are there—but the service just isn't! How typical and merely another of those signs of our times. Something has been operative for years is suddenly no longer available except on a reduced scale and then only at additional costs to you the taxpayer personally. What are taxes for? Am I wrong that this Government of ours was founded to serve and function for all of the people and not merely to provide jobs for a few. If the figure I have in mind is

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correct, 25 percent of this Nation's population is on a government payroll—city, county, State or national, so it does provide jobs, not productive jobs but service. Even the garbage man or sanitary engineer is an example. When it has piled up for a week, it almost becomes productive!

Look around. How many of you would step down or even out of your jobs to streamline your departments? How many could stand a 50 decrease or rollback in income and have their expenses stay the same or go up. God forbid! Look at some of your rural neighbors friends:

Ranchers, farmers and feeders. Tell me you have morals and values and go to church. Tell me that you care and that I am wrong—turn away and don't even offer a hand and I say you are not of the same flesh, but a stranger!

It was farmers that stood at Concord Bridge and supposedly "fired the shot heard round the world." I think I can hear a new rumble and maybe farmers "will be among those first to stand." It's part of our heritage! There are a lot of reasons why—but they will prevail. Are you of that flesh? I am! Do you know, I've met a lot of people lately that actually expect me to lose or "take a dive in the fourth." And I admit to being a little punchy. I may not personally survive but all of you will be the losers. Who will be next? None of you here surely?

I had intended to tell more of my personal circumstances and offer the same subtle social advice which has been offered me—I shant do so. I had a rebuttal for a so-called "one stop service" and a hypothesis about "marketing and profiteering," another about "social control and renewal," and another about "knowledge and statistics." And yes, even more about "economic slavery."

In all seriousness, I've had some unforgettable experiences that would read like a book. And it's all true or I wouldn't have had the courage to be standing here now. There was a time once when I could have been helped under the law without a special act of Congress. I was qualified and I'm adding to the letter I've read both the State's FHA procedure and the Federal Public Law. I'm no lawyer but I'd say it is a good law for a farsighted worthy, just cause and beautifully worded. However, the agency and people that are administering it have deviated from its intent . . . beyond measure! If I were a young new farmer or an urban aspirate home-owner who is a consuming-commercially-employed slave . . . they tell me the reception would be different, If I qualify, if totally—that is. Good luck. It's an option I shant take.

My way of life is actually being taken away from me, or more correctly "changed" for me against my wishes—in a free country? Two hundred years ago some of our founding fathers might have known what I'm trying to point out about economic slavery and how it's no sleeping dog; even more so today. The words of Patrick Henry that stirs such pride in all of our souls has taken on a brand new meaning for me lately and I fully expect those words to ring true and clear again. To those of you who might for one fleeting moment realize that: It just might or could be true . . . I say:

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Remember that the price of freedom is eternal vigilance and wisdom.

Your brother, unless he will keep you—can and does—is a cannibal who will feed on your flesh, your efforts, and your mind. He is less than human and is an Android.

Or perhaps it is you who is less! Far out, huh?

After it is all said and done, Why should I resent and resist? I believe in change. Is it because I am human and not quite as flexible as a blade of grass that bends with the winds, competes with its own and its environment, breaks under foot pressure and is consumed by some beast before it withers and dies.

Or am I something a little more, a spark of energy maybe with one unique electron that gives me more control than other living things. We do have that power or energy to control our own fates, you know? Within the limits and laws of a universe which we haven't even begun to understand or tap. I hope to see the year 2001, or was it 2525? Perhaps we might share it together if we should be brothers.

And oh, yes—That is if I can convince Butz and a few others to quit playing around with my voltage.

Keep your own sparks together, folks. And thank you.

Senator CLARK. Thank you very much. The next witness will be Claude Davis. I might just say before you begin, Claude—so the witnesses will know it—that the next witness will be Anna Jernigan, and then Gerald Rankin, and then Victor Senechal.

STATEMENT OF CLAUDE E. DAVIS, PRESIDENT, IOWA STATE COUNCIL FOR SENIOR CITIZENS' ORGANIZATION, DES MOINES, IOWA

Mr. DAVIS. Senator and people present. I am Claude E. Davis. I am president of the Iowa State Council for Senior Citizens' Organization. We have a membership of 320,000 in the State of Iowa, and we are ones who are very badly hurt by the high cost of living—having to live on Social Security. I just got my check today, which I'm very thankful for. I am an old railroad retired person from the Rock Island Railroad.

I am concerned about the Commodities Futures Market and the gambling that is going on daily. Especially back in 1972; in September of that year we got $3.56 for our soybeans. I have a farm up here in Warren County. I've got too old to take care of it, so I gave it to my son. It's not a large farm—224 acres—but we made a living out of it, and as I say, I was an old railroad worker and I think the railroads is very, very necessary for you people who ship grain. And that's why I wanted to bring to your attention while I'm here, if possible Senator, to do something right here—tell the Senators and Congressmen to do something about seeing that this U.S. Railroad Association, which has been formed to control or run this—corn—in the Northeast corridor. In 1973, because of the—it seemed that was the Northeast corridor. I went to Washington at my own expense and I talked to Senator Hartke and Congressman Harley Staggers, who are chairmen of the committee—of the Senate and House committees—to try to get them to do something for the railroads in the

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Midwest. I was able at that time to get them to consider the Midwest railroads, and they even put it into the bill when they passed it. The Midwest railroads, including the Rock Island Railroad. Now they refuse to give them the same consideration as the Pennsylvania and the New York Central got. I told them at that time they shouldn't give one more dime to the Penn Central Railroad Co. to bail them out of bankruptcy. Because when they merged, I was— and the executive secretary of the Iowa State Commerce Commission was Harold Hughes, our former Governor and State senator—and they had. Well, it seemed they wanted to just ignore the railroads in the Midwest. And Senator Hughes, of course at that time told me— this was in 1973—that they should do something for the Midwest railroads, and he would do everything he could to get it. Senator Clark was here also. And he gave me the same assurance. But they have neglected to do that. What I want to see, is that you people get behind this revamping of this Rock Island Railroad, so they do have some way of shipping their corn, to their markets. When the merger came about 11 years ago, I talked to Mr. Stoddart, president of the Union Pacific Railroad and tried to get him to quickly take over the Rock Island Railroad and run it, because they were in bad circumstances then. And anyhow, they haven't, because of the restrictions that they put in this merger, after it was finally approved by the Interstate Commerce Commission, and told them they could go ahead, they formed a holding company, which is the worst thing that they could have in this country. And they've got a big bank in New York who tells them what they can do and what they can't do. The Union Pacific has plenty of money. They make more money off their oil production than they do off their operation of the railroad as of today. But anyhow, we've got to do something to get them going.

But what I wanted to stress more than anything else—which was what, Mr. Cox spoke here about, he was against the commodity futures, that supply and demand should be setting the prices. And if you have the market, why you can raise all the corn and soybeans and other grain products that you need, provided you use a little caution and not get pushing too strongly.

I'm also against the conglomerates. These conglomerate farmers. And the two real problems is the Cargill Grain Co. and the Continental Grain Co., which back in 1972 or 1973 when they started in the fall—September, I believe it was—to boosting up the price of soybeans from \$3.56 a bushel to \$12.90. They wouldn't accept it to let this slide along. It used to be 10 cents a bushel is all they could raise the price or lower the price in any one day's action. Well, then they go to this terrific Soviet overseas—and Secretary—I can't say his name. And the other Secretary of Commerce, they were the ones that were supposed to oversee that. They come in and asked for 20 cents. They could gamble the corn up and down in a day's time. They were satisfied with that, and they come back and asked for 40 cents, and they gave it to them. And then they went back and took it all off. And that's when they boosted the price up to \$12.40—after you guys had sold your beans. And Cargill had it loaded away, and

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Continental had it loaded away, and that other grain company—I can't think of the name. But anyhow, they are the ones that made the money. You didn't make the money. We didn't. We were tickled to death to sell our beans for $3.56, because the year before we got $3.06 a bushel. This was quite a bit to us.

But anyhow, that's something that's got to be done. I want to stress that to the Senator, that this Commodity Futures Market has to be made responsive to the farmers. And we want something done. And I think you gentlemen would be good to write your Senators and Congressmen and ask them to do something about the gambling on this futures market. That same year they went to $12.90 on the 11th day of June 1973. I happened to go to the grain territory down on the southwest Oklahoma, Texas, and a few other places; and on my way home I stopped in Miami, Tex., for lunch. I was sitting there at a table, my wife and I, and a few other people at another table, 8 to 12 ranchers. They were just sitting there crying their eyes out about this soybean meal that was boosted from $130 a ton to $450 a ton. They said you can't feed that to our feeder calves. So one man said, "I raise around 400 to 500 450-pound beef cattle for sale to feeders," and he says, "I've got to just let them eat hay and grass and just get along the best way they can."

And anyhow, that's what I would like to see you gentlemen do. Urge your Senators and Congressmen to do something about the Commodity Futures Market, and also get this national, or U.S. Railroad Association to doing something for the Rock Island.

Senator CLARK. We appreciate very much your testimony, Mr. Davis. And I am particularly glad that somebody testified here about the Rock Island. I met, in fact, with the president of the Rock Island last week, and discussed with him some of the alternatives available through special legislation. One thing is certain, and that is the Rock Island has continued to run in this State. In the 19 or 20 States that it serves, it clearly serves Iowa more heavily than any other State. We have assurances that it's going to continue even under bankruptcy, but that is a very, very poor way to run a railroad. We are trying to avoid that if at all possible. We have talked to the ICC last week with Senator Hartke, Chairman of the Transportation Commission, who has agreed to hold hearings starting on Monday. So we are going to look at all those alternatives, all of the alternatives that are available to us—because we have to keep that running. Thank you. We are very grateful to you for being here to testify.

Mr. DAVIS. Thank you very much.

[The following material was submitted for the record by Mr. Clark:]

FORT DODGE, IOWA, *April 9, 1975.*

DEAR MR. DAVIS: After reading the article in the Register this morning about the ICC plans, I doubled my contribution but have dated the check ahead as I have to get more money into the account.

I do so hope your project and fight to save the Rock Island in toto will be successful.

I gave one of your risers to a friend.

Yours truly,

ANN SMELTZER.

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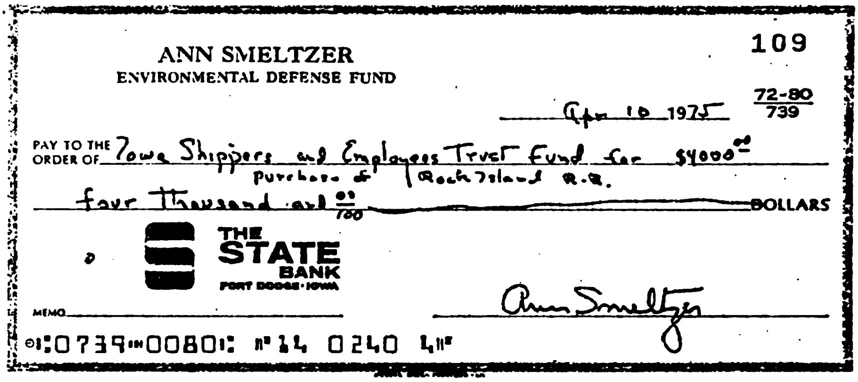
ANN SMELTZER
ENVIRONMENTAL DEFENSE FUND

109

Apr 10 1975

72-80
739

PAY TO THE ORDER OF Iowa Shippers and Employees Trust Fund for purchase of Rock Island R.R. $4000.00

four Thousand and 00/100 DOLLARS

THE STATE BANK
FORT DODGE·IOWA

MEMO

Ann Smeltzer

0739 0080 14 0240 4

IOWA STATE COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS,
Des Moines, Iowa.

Honorable, ——— ———,
Member of Congress,
Washington, D.C.

DEAR SIR: This Plea is made to you Gentlemen on behalf of those Citizens, who have been left out of the Aid to Railroads in the States other than those in the North East Corridor and a Few Midwest States. If we are to have Good Sound Passenger and Freight Service we Must have Equal Connecting Service by all Railroads in the Entire United States, not just Piece Meal Operations, especially the Penn-Central, as they are responsible for their Financial Difficulty. The Pennsylvania Railroad prior to the Merger with the New York Central was the Richest Railroad in the U. S. What became of the Nine Hotels, Twenty Six Office Buildings and Madison Square Garden? which produced as much Revenue as did the Rail Operations, it was the Crooks. Shortly after the Merger they Formed the Penn-Central Company and they piddled away these Real Estate Holdings then they lost Money and Claimed Bankruptcy, those involved must be made to account for this Dissapearance before any Tax Dollars is used to Bail them out. The People in the area need Help and Service, but make the Crooks Make Restitution, then Go from there. This operation makes Watergate look like a kids game.

I am enclosing a Proposal that will Provide Passenger and Rail Freight Service in All States, however we must have proper supervision by Experienced Railroad Personal, not like Amtrak it is also a Failure, Run by a Chemical Engineer, turn the Passenger Trains Back to the Railroads, make them live up to their Charters, furnish complete Service as the Law Requires. We congratulate Senator Vance Hartke for his introduction of the Rail Service Act Amendments of 1973 S. 2060, this is a good start but Fails to Consider All the People in all the States. Now it is up to you Gentlemen if you are Concerned about those that you Represent, to see to it that S. 2060 is Amended to provide a Federal Rail Right of Way Trust Fund as contained in our proposal, this will be a Fair and Equitable Program for all Transportation Groups, namely for Bankrupting the Railroads, as they have consistantly Subsidized the Trucks to the tune of Ninty Four Billions of Dollars since the Enactment of the Interstate Highway System in 1956, and the Airlines in the Last Fifty Years in the amount of Eighty Eight Billions of Dollars. Now Congress can Redeem Itself by Giving the Railroads a Fair Competitive Chance of Operation.

We are also sponsoring A V.I.P. Program, a copy is enclosed for your information. Something must be done in regard to the Illegal Manipulations in the Commodity Futures Markets, I noted today the Price of Wheat was Bulled to the Ridiculous Price of $4.24 a Bu. the Gamblers did it, not supply and demand, no one has even mentioned the Real Culprits, the Buyers and Sellers who have no Purpose except to Gamble, make them Accept Delivery and Warehouse or Pay Ten Per Cent on All Buys and Sales. Look what they did with Soy Beans and Soybean Meal, that is what Started this whole mess of Increased Prices

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along with the Manipulated Sale of Grains to Russia, then Came Farce One, Farce Two, Farce Three and Failure Four. If possible I would like to see the Commodity Futures Markets Outlawed and Closed, let them Shoot Craps or Play the Roulette Wheel.

We also want the Tax Loop Holes for the Rich Closed. I just noted that the Senate Approved a Twenty Billion Dollar Three Year Interstate Highway program, When is This Unfair Subsidy going to Cease? I hope that you can see the way clear to help all of your Constituents, not just a Few. Thank You

Sincerely Yours,

CLAUDE E. DAVIS,
President.

VIP

Yes you are A VERY IMPORTANT PERSON, that is if you are concerned about the High Cost of Living and want to see something done about it, by Requesting that Your Senators and Representatives in Washington, D.C. Do a Thorough and Complete Investigation of the Commodity Futures Markets. Some Members Elected to the Congress do as they please unless called upon to Support Programs that the People "THE VOTERS" Back Home Need and Want Enacted for the good of all Citizens.

Here is the "VIP" Program. We are Demanding that all THOSE, BIG and SMALL, who had a part in the Crooked Manipulations and the Illegal Bulling Up the Price of SOY BEANS From $3.56 a Bu. in the fall of 1972 to the Ridiculous Price of $12.90 a Bu. on June 10, 1973, also during the same period They Illegally Bulled the Price of Soybean Meal from $130.00 a Ton to $451.00 a Ton. These Crooked and Illegal Manipulations has already caused HIGHER FOOD PRICES and we can expect a much Greater Rise in the Months ahead, These Illegal Manipulations can be charged to the CEA and Alex Caldwell. whose responsibility it is to Keep A Close Watch on Commodity Futures Market Trading and Stop these Illegal Acts in Buying and Selling before it gets out of hand. Where was He, and Why no Action Taken to Stop it? We Request that he be Fired, Tried in Court and Jailed for allowing this to occur. We also request that the Price of Soy Beans be Reduced to at Least $4.00 a Bu. and Soybean Meal Reduced to at least $150.00 a Ton, also Reasonable Roll Backs in Prices of all Items that were effected by the Soy Bean Price Rise. The Futures Markets on Cattle and Hogs also Must Be Reduced, as Soy Beans Did It. We also Request that Reasonable Reductions be Made in the Price of Wheat and Corn to the prices that existed before the Sale to Russia. We Demand that Continental and Cargill Grain Companies and All Others who had a part in the Conspiracy to Conceal the Buying of Wheat and Corn on the Sly that was to be Sold to Russia, then those same Sneak Thieves went to the USDA to make sure that their Hidden Buys would get a Forty Seven Cent Subsidy a Bu. Whoever Approved this CROOKED Agreement Should Be Fired and Jailed for their Criminal and Illegal Act. These Crooked Grain Dealers also Sold the Grainto Russia for Thirty Five Cents a Bu. Less than our Buyers and Processors were Paying for Grains in this Country.

We are Requesting that Congress Investigate these Crooked and Illegal Acts, and See to it that Those Responsible be taken to Court, Tried and Fined the Maximum Fines, also be Ordered to REFUND the Illegal Subsidies they were Illegally Paid. Also Sue the Grain Companies and ALL OTHERS for ILLEGAL PROFITS Derived From the CROOKED Soy Bean and Soybean Meal Manipulations. These Fines and Refunds should be Used to Reimburse those Caught in a Bind through no Fault of Their Own, such as the Baby Chick Hatchery who Drowned Thousands of Baby Chicks because of the Manipulated Protein Feed Costs, as they would Lose to Much in Raising them to Broiler Stage. If any of OUR CONGRESSMEN FAIL TO HEED AND PURSUE OUR REQUESTS AND DO NOT VOTE RIGHT so as to CORRECT THESE TERRIBLE CONDITIONS, WE WILL "VIP" VOTE IN PROTEST, Next November, Like We Did Last November for EX SENATOR JACK MILLER. JOIN NOW IF YOU WANT A SQUARE DEAL. You will be furnished a Membershap Card. A. V.I.P. Pin, and a list as to HOW YOUR CONGRESSMEN PERFORMED AND VOTED. Then it Will Be Up To YOU, TO GET OUT AND VOTE FOR YOUR BEST INTERESTS.

This V.I.P. Program Organized and Sponsored by Claude E. Davis, President of the IOWA STATE COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS,

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We Need All Concerned Citizens to JOIN IN THIS EFFORT, besides the Elderly, We Need the Low Income Worker, The Middle Income Worker, The Blind, The Handicapped, The Small Farmer and Labor, Also All Those Who are being hurt Financially by HIGH FOOD PRICES. I have also Presented to Congressional Leaders a Bill to Rehabilitate the Railroads, it will Save all the U. S. Railroads, not just the North East Corridor, all Main and Branch Line Tracks would be Saved that Serves Industry, Branch Line Elevators, also assure sufficient Grain Cars to Meet the Needs of Shippers at Harvest Time. We are Arganizing A VIP Program in every State, If Concerned, PLEASE JOIN.

Name --
Address --
City ---ZIP -----------------
Member of --
Or any Concerned Person

MEMBERSHIP—Printing and mailing $1; active member, $2; supporting member, $4. Mail to VIP, P.O. BO– No. 1181, Des Moines, Iowa—50311.

A PROPOSAL FOR THE RAILROAD RIGHT-OF-WAY TAKEOVER BY THE FEDERAL GOVERNMENT TO BE KNOWN AS THE FEDERAL RAILROAD RIGHT-OF-WAY ACT

This would consist of transfer of rail lines from the private sector to the Federal sector and would include rail lines only. (The yard or terminal facilities, towers, depots, shops and buildings, motive power and rolling stock would not be included.)

The railroad, when using this rail line, would pay a weight-distance tax. That is a predetermined tax on the weight of the commodity being shipped. There would be no tax on an empty car.

The railroad could continue to maintain said line, using track forces for track and structure work, signal forces for block signal, interlocking and crossing signals and bridge and building forces for bridge work. Said work could be performed under the direction of the Federal Government; said maintenance, labor and material actual costs would be reimbursable to the railroad on a quarterly or semi-annual basis. The railroad estimate or inventory of needed material and labor would be open for review by a Federal Inspector, or Inspectors.

In the actual transfer of possession of the rail lines, there would not necessarily be any dollars involved: rather, a system could be devised whereby the predetermined dollar value of the right of way could be paid to the railroad in the form of—say 20% check off in the dollar amount of the cost of the weight distance tax. Further, the per mile average assessable property tax amount could be credited to the railroad. In this manner, the value of the transfered property could be properly compensated for without any initial public money transaction.

The incentive to the railroad would be that they would retain private ownership of their terminal facilities namley, trackage, right of way, shops, towers, buildings, etc., in the terminal areas, rolling stock, motive power and depots. Further, the money that would normally have been committed for labor and material for track forces, signal forces and bridge forces could be channeled into other areas of the rail plant.

The tax credit money could also be channelled into other plant areas, thus giving the railroads considerable "extra" dollars with which to upgrade their plant where needed most, with the end results that the general shipping public, as well as the total populace depending on rail transportation would benefit by a better grade of service and more efficient and economical operation of the rail plant.

This outlined method would not be a subsidy, it would not be a public grant, it would not be a guaranteed loan. No actual public money would be involved at the offset. This would not be nationalization.

This arrangement could favorably be compared with but be less expensive than what is being done for the trucks and busses in the way of roads, the waterways for the Barge lines and the airports for the airlines.

The railroads pioneered and helped make the U.S.A. the greatest Nation in the world and their revival and improvement can save this country from total disaster.

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The above would be fair operating right of way costs to both types of freight transportation, namely, the truck and the railroad operators. The Federal Highway Trust Fund now supports the highway systems. A Federal Rail Right of Way Trust fund should be enacted. Both truck and rail operators should be assessed a weight distance tax for their use when loaded. Each fund should be maintained separately. This would place both truck and rail operators on a fair competitive basis and should be self supporting and not a burden on the tax payers.

RISER

ROCK ISLAND SHIPPERS AND EMPLOYERS RAILROAD

We the undersigned Join together to Form A Save Our Business and Jobs Corporation. Each Rock Island Employee is Urged to Join if you want to Save your Job, also all Shippers and Business Men are urged to Join to Save your Companies, Business, Elevators, Plants and your Cities and Towns. The Entire Rock Island Railroad Must Be Saved. A Capitol Stock Fund will be Created to Serve as a Guarantee Trust Fund that will enable the reorganized Rock Island Railroad to Obtain Federal Grants and Loans. We will Run and Operate The Entire Rock Island Railroad in all Thirteen States. All Stock Holders will meet and Elect the Officers that will Run the Railroad, you will be furnished a Proxy Ballot if you are unable to attend. This Trust Fund will be Insured and the Officers in Charge will be Bonded, the Money will be Banked and will Earn Interest.

Signed.

Name --
Address ---
City or town -- ZIP -------------
Shipper or employee ---

Employee, I pledge $6,000.00 to be Paid $25.00 Each Pay Day, Total $50.00 Per Month for Ten Years, We will accept larger payments or the Total in Full if you can possibly do it. If you now have a Savings Account drawing Interest you can Earn the Same Interest in our Trust Fund. Also we have decided that we will open Savings Accounts in the Cities and Towns Banks where you Reside in the Name of our Trust Fund, in this way we will not be hurting your Local Banks in regard to your Savings. If you possibly can, a larger pledge will be a great help in enlargeing our Fund and make it More Impressive so that we Can Take Over the Operations as soon as Possible.

Shippers and Others Interested, As Large as you can Afford or what you Feel A Good Operating Railroad is Worth to Your Business and City or Town, We will Gladly Accept Financial Help from any one that is Interested in our Saving The Rock Island Railroad. WE WANT NO PART OF THE FOUR JESSEE JAMES RAILROADS THAT WANT TO WRECK AND STEAL THE ROCK ISLAND.

Make your Checks Payable to the ROCK ISLAND SHIPPERS & EMPLOYEES TRUST FUND. In Short, R. I. SHIPPERS & EMP. TRUST FUND. Mail to ROCK ISLAND SHIPPERS & EMPLOYEES RAILROAD, P. O. BOX A. K., DES MOINES, IOWA 50302.

Director of the Trust Fund, Bonded and Insured: Claude E. Davis, Rock Island Employee, Forty One Years. 432 Tonawanda Dr. Apt. 104, Des Moines, Iowa, 50312.

Senator CLARK. Our next witness is Anna Jernigan, with the Nutrition Council of Iowa, here in Des Moines. Perhaps you could identify yourself in a little more detail.

STATEMENT OF MS. ANNA K. JERNIGAN, NUTRITION COUNCIL OF IOWA, DES MOINES, IOWA

Ms. JERNIGAN. Well, I really work in the Health Department, but this came up suddenly so I did not communicate with the Council, and I am not speaking for the Health Department.

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Senator CLARK. Fine.

Ms. JERNIGAN. We are quite concerned that enabling legislation and appropriations for State programs, for women and children, will end June 30, 1975. We are interested in new legislation, the Senate bill 850 and House bill H.R. 4222, and that they be given consideration. The primary benefits of the WIC program is to provide enriched iron formulas for infants and some nutritional food for mothers for 6 months following delivery. I hope that the appropriations will be increased this year. I am also concerned that an appropriation, for supplemental food programs, and the milk program, will be continued. I am concerned that the administration is thinking of using a block grant for these programs, and that many of the standards might be dropped, and that the programs would be available only to low income children. I am concerned that school lunch programs are already being invaded by vending machines in many cases, and our children are tending to go the snack route entirely too much. I think one-third of the recommended daily allowances should be offered for lunch, and the one-fourth of the RDA for the breakfast program.

I am looking at this from the standpoint not only of food, but from the standpoint of health. We really don't have research to show good nutrition prevents mental retardation, but we do know that it does affect the children in their learning experiences and their discipline and in many other ways. I think, too, a generation of children who will be able to cope, need to start with sound, healthy, solid bodies. It's imperative that good nutrition be a part of this.

Senator CLARK. Thank you very much. We appreciate your coming over.

Ms. JERNIGAN. Thank you.

Senator CLARK. Gerald Rankin, who is a farmer from Grinnell. I think, Mr. Rankin, you are representing the Grange, are you not? I think we have had a great number of farm organizations represented here, and certainly all of their views have been represented here. I have heard their national president speak in Washington earlier.

STATEMENT OF GERALD RANKIN, GRINNELL, IOWA

Mr. RANKIN. Dick, I have seen you before. I walked with you when you walked through Jasper County.

Senator CLARK. Yes, I remember that, in the summer of 1972.

Mr. RANKIN. I've just about seen everything, I guess, in farming. I am presently serving as Chairman of the Jasper County Regional Planning Commission, which is the coordination of all the towns and people of Jasper County. I'm on the Health Planning Council; on the board of OEO in Jasper and Polk County area. I was called at the last minute by a fellow across the State who asked me to come and fill in for him. And I have here, Senator, the policy of John Scott, the national master, who is very conservative, and very constructive, in his thinking.

We have heard that out of committee in the last day or 2 that—five different subcommittees had commented, and are well versed——

Senator CLARK. These are House subcommittees, incidentally.

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Mr. RANKIN. Yes. And $2.07, and also they revised that to $2.25 for corn. And my personal feeling is that's a relevant figure, and we can live with that. I think that if you should read the testimony of John Scott, he feels that we should have the export and the consumer and the supermarkets and the producers—and everyone involved should be relevant. We've got so completely out of balance that we have nothing. I'm a farm boy. I started with nothing. I got to where I was pretty well off, but if we have another year or 2 like this, I'm going to wind up right where I started. I sold $106,000 worth of hogs last year, and I don't have any profit. We're still trying to piece out the cattle, and I still think we have the greatest system in the world with this all-out caliber, but everything needs to be relevant. Everything needs to be relevant to everything else, and we have got completely out of balance.

I don't have the answer, but I'm here to testify about the target price, which is what Del asked me to come here to discuss. And we feel that—I would like to repeat that we can live with $2.25 target price on corn. And we feel that in time the livestock portion of the operation will correct itself. But it has a long ways to go yet. Thank you, Dick.

Senator CLARK. Thank you very much. We appreciate your testimony. The last witness will be Vic Senechal, who has been kind enough to agree to come out from Washington from the Department of Agriculture and to testify on certain provisions of the disaster relief clauses of the bill. And we're very happy to have you here, Victor.

STATEMENT OF VICTOR A. SENECHAL, ASSISTANT DEPUTY ADMINISTRATOR, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. SENECHAL. Thank you, Senator.

Senator CLARK. I assume that you do not have a prepared statement, but I may be wrong about that.

Mr. SENECHAL. No.

Senator CLARK. I have about 8 to 10 questions, and so we will just proceed with those. One of the things I think that concerns us with the disaster provisions is that, as we understand them, cotton farmers who fail to plant their crop of cotton, can plant soybeans with no loss of eligibility; but that other people are not allowed that privilege. Is that accurate or not?

Mr. SENECHAL. Yes, sir, that's correct. As you may recall, I have had the privilege of working as a technical adviser for the Agriculture Committee. I think it might be well to understand that as a matter of fact that this was initially drafted by the Senate Agriculture Committee, and the provisions at that point in time that the Senate Agriculture Committee drafted was the same for both cotton and for the grains.

Senator CLARK. Yes.

Mr. SENECHAL. And this is what it said:

> If the farmer was prevented from planting an acreage of cotton, wheat or feed grains equal to this allotment for his crop and he was also prevented from planting any other non-conserving crop on the farm equal to those allotments, he would receive a payment on the under planting of the allotment.

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Senator CLARK. Yes.

Mr. SENECHAL. And as it was explained to me, as I helped to draft this particular clause in the legislation together with Mr. Coffman, who was in the Office of the General Counsel, USDA at the time; the Senate Committee was not necessarily interested in making a payment to somebody who was prevented from planting a particular crop. They were concerned about the disaster situation, where the individual really couldn't get any cash crop planted. And as the example came to us, we don't care if a man couldn't plant his cotton crop, if he could later plant his soybeans. So this is the way it was drafted initially. What happened was, when the bill went over to the House Agriculture Committee—and of course, it went into subcommittees for considerations—and part of it went to the cotton subcommittee, and the grain part went to the grain subcommittee. Well, at that point in time they were changed, and other nonconserving crops with regard to under planting of cotton, was eliminated. The grains were left exactly as the Senate Agriculture Committee had drafted it. Consequently when they came back together, it stayed that way. So really what we are faced with and we recognize it—is the fact that there really isn't very much we can do about it.

Senator CLARK. In other words, we need to change the law?

Mr. SENECHAL. Yes.

Senator CLARK. Cotton farmers are at a certain advantage, as compared to feed grain producers—feed grain and wheat farmers are at a disadvantage as compared to the cotton farmers? Isn't that true?

Mr. SENECHAL. Yes, sir; that's true. But this disadvantage applies to both groups.

Senator CLARK. Well, we'll prepare an amendment to it, and I hope that the administration will support that amendment, to equalize that opportunity.

Mr. SENECHAL. Well, sir, I am not in a position to be able to speak for the administration, but certainly I think the Secretary had testified to your committee—off the record—that he was willing to compromise to some degree on any legislation that might be introduced. And we certainly will take a look at it.

Senator CLARK. We will send you a copy of it, the amendment, and we would apreciate your reactions to it. We don't have an amendment prepared yet, but we intend to prepare one.

Mr. SENECHAL. Yes, sir.

Senator CLARK. Now the act as it relates to prevented planting, specifies eligibility is determined by the fact that "the conditions beyond the control of the producer cause the failure to plant." Now considering your experience, would you suggest tightening up the language and amending it by something like "weather conditions beyond the control of the producer," rather than just to have this vague phrasing? This could encompass if the broke foot or something similar.

Mr. SENECHAL. Mr. Chairman. This would be my personal opinion, but through the experience that I have had since I have worked with the administration of programs over a number of years, the terminology of "the conditions beyond the control of the producer" is so broad that you really don't know where to cut it off. I think personally that it would be good if we did take it back to natural causes.

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You wouldn't necessarily have to have it be adverse weather, there are other natural causes over which the farmer has no control. But "beyond the control of the producer" is so broad and vague that it is very hard to administer.

Senator CLARK. All right. We will try to prepare an amendment there as well, Now, thirdly, it's my distinct impression in listening to the Secretary, that there is a strong feeling that we need all-out production. Total production. We have heard that over and over again. Yet it seems to me that we are only willing to apply a guarantee on production of about 75 percent of the corn that the USDA anticipates being produced. Now surely if we need production, then it seems to me that we ought to be willing to share at least some of the risk to the producers. My question is, would you oppose an amendment that would attach a guaranteed yield portion of the disaster clause to the acreage planted or at least to the acreage that you desire to have planted?

Mr. SENECHAL. Well again, Mr. Chairman, I am not in a position to give you a yes or no on that part for the administration, but I might tell you this: I think what you have reference to, sir, is the fact that the provision of law with regard to loss of production of a planted acreage limits the coverage to the allotment times the established yield. And we are very well aware that in Iowa, in Illinois, in the Corn Belt here, that there are many farmers, for example, that are producing corn without an allotment. This doesn't fit them at all. And we are very well aware that many of them—because the allotments were established on the basis of the historical acreages of 20 years ago, that they no longer represent what the farmer is doing at the present time.

Senator CLARK. Or what you want him to do?

Mr. SENECHAL. Right. See, the act, as I understand it, was to provide for legislation which would allow the farmer to produce those crops he can product most efficiently, without any interference from the Government.

Senator CLARK. Right.

Mr. SENECHAL. And there is no question in my mind—that this disaster provision with regard to the guarantee on his production is inequitable because of the fact that you are covered only to the extent of the allotment. Not what you actually plant. There would be no question in my mind that this is one of the particular weaknesses of that particular law.

Senator CLARK. We have agreed on almost everything today. I think that is true. I really think that it is inequitable, because we know of situations here—and we have had testimony earlier today, and we have been discussing this with farmers generally—that really people could have substantial losses if they planted over and above their allotment. And then they would really get no disaster payments.

Mr. SENECHAL. We have had numerous cases called to our attention where a farmer who may not have planted above his allotment this year, and another alongside of him had planted three or four times the allotment, and both had disastrous crops, only one of them received benefit from the act.

Senator CLARK. Right. That's right. Now if the producer who had invested in his own crop decided to plow it under—obviously it

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would be worthless because of a disaster—it seems to me that under the present procedure, an adjuster will probably still decide that it has value, and assess that value against the guarantee. In other words, as I understand it, in the past we have had adjusters who would give a certain value to a crop even after it's been plowed under, under the present system as I understand it. Doesn't that seem unfair? Shouldn't that be assumption enough that that crop was a total failure, or not?

Mr. SENECHAL. Mr. Chairman. This was one of the very difficult decisions we had to make. As you well know, this provision was brought into play for the first time with respect to the 1974 crop. We already had authorized by Congress another agency (FCIC) which administered a similar type program—also they were to make their operations self-sustaining. In other words, their premiums should balance out to the indemnities eventually paid out. And so this became a difficult situation. We felt that we could not undercut a sister agency which was operating a similar program—this is the problem we face. And so what we did with regard to determining production on acreage which did not go through to harvest—that which was totally destroyed—we pretty well follow the same procedures that FCIC does in determining production. Under FCIC, when a man reports a crop loss he does not intend to harvest, the FCIC adjuster will come out and put a value on it and charge it against the coverage that he has—well, we follow the same procedures. I will grant you, sir, that it does seem that if a man gives up on a crop and plows it under, it's worthless to him, but this is the situation that we are faced with. And the reason why we went this particular direction is we tried not make our administrative rules so much different than theirs that it would destroy the FCIC program.

Senator CLARK. I'm not sure that I fully understand that. I would like to study it further. We have had testimony here today at some point that, or discussion about the fact that we are really not talking, when we are talking about the disaster provisions or the guarantee, about acreage or allotment times yield, we are talking about acreage times the 10-year yield. Now doesn't that seem somewhat inequitable in your mind, that yields are constantly increasing, and we are really averaging out a yield that goes back to what—1963 or 1964 or 1965? Why can't we find another figure more up to date?

Mr. SENECHAL. Yes, sir. Well, Mr. Chairman, possibly, it might be well to explain why we took this particular route.

Senator CLARK. Yes.

Mr. SENECHAL. I think you are entitled to it, and I think we have certain Members of the Senate, and certain Members of the House Committee on Agriculture. When this bill was enacted into law and came to us, it was our responsibility to administer it. We quickly did an analysis of the provisions of the act, which said that if the total actual production on the farm was less than two-thirds of the established yield times the farm allotment, a farmer would be eligible for this payment. This is what the statute said. And of course there is no way of misinterpreting that as I see it. But what we found, and this stems back to the programs that began in 1965 when we determined projected yields for cotton, wheat, and field grains, some of

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these projected yields were too high. We did an analysis of the number——

Senator CLARK. What does that mean—"got too high"?

Mr. SENECHAL. They were probably not too high for the farmers, but I mean they were high in reality to what was actually being produced in those particular areas.

Senator CLARK. I see. They were unrealistically high?

Mr. SENECHAL. Yes, sir.

Senator CLARK. I see.

Mr. SENECHAL. What we found—and I think cotton is a good illustration for this, because this is the first one we looked at. Because of the fact that cotton producers could just about cover all the cotton that was planted. The grain farmers can't do that. And we found that there were 132 counties in the United States where the average annual yield for cotton in those counties was already less than two-thirds of the program yields. This meant, you see, that if we didn't do something, these farmers in these counties would be eligible for disaster payment while producing a normal crop. We didn't stop with cotton; we went from there to take a look at the grain. And I will grant you that in the case of corn, the disparity between program yields and actual yields are not as severe. And we found also in wheat that the same situation exists. What we did, was to define a disaster. So in order to avoid this unwarranted exposure, if there was actually no disaster involved, we defined the terminology "disaster." We defined the terminology of disaster to say that disaster did not in fact exist on the farm unless the total production on the farm is less than two-thirds of the 10-year county average annual yield times the allotment for that farm; adjusted to reflect the individual farm productivity.

Senator CLARK. Why could you make it—seems to me what you are saying, particularly in view of the cotton, the history of cotton. Aren't we in fact asking the corn farmer therefore to sacrifice because of the inaccuracy in cotton yields and perhaps the wheat? Isn't it possible that within the terms of the law that you could establish a different average that would conform, or be more realistic, more fair? Not favorable to the producer, but fair to the producer.

Mr. SENECHAL. We could have established a different base for corn than we have.

Senator CLARK. Yes, but we are talking about yields, not base.

Mr. SENECHAL. And I have looked at it very carefully but when you get out of the Corn Belt, we found the same situation existed. We hesitate to take action for corn in view of the tremendous losses that we have had this year, but you——

Senator CLARK. Why is this so?

Mr. SENECHAL. Well, seriously——

Senator CLARK. Because of the cost?

Mr. SENECHAL. Yes, sir. The upward trend in wheat has been not so substantial as in corn.

Senator CLARK. No. But there was a loss. If USDA refused to accept it the producer was required to.

Mr. SENECHAL. But in the case of corn, even though the 10-year average was not as representive of current yields as is the case with cotton and wheat——

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Senator CLARK. But the reason——
Mr. SENECHAL. I'm sorry, Mr. Chairman, to interrupt you, but——
Senator CLARK. That's all right.
Mr. SENECHAL. The reason we did this was to try to provide a consistent administrative provision for all of the commodities. This is basically what we wanted.
Senator CLARK. I think it leads down to fairness. That that adjustment ought to be made. But in any case, we can take a look at that statute. I wish that as administrators of the program, you would consider making—just in case the statute is not changed—making some adjustment there for corn. I think if you had a large cotton loss, or wheat loss, you'd be paying realistically; where in the case of corn, it doesn't seem to me that you really have done that.
Mr. SENECHAL. Well, sir; when we went into this program, we didn't expect to have this loss—the voluminous losses that we have had.
Senator CLARK. No, I am sure of that.
Mr. SENECHAL. It was a bad year. This is something that doesn't happen very often.
Senator CLARK. We have a copy of a proposal by the USDA to eliminate disaster provisions from Public Law 93–86 and substitute an expansion of Federal crop insurance to provide equivalent guarantees at the farmers expense. Could you explain that proposal?
Mr. SENECHAL. Mr. Chairman, I can't give you any complete explanation of the proposal, but I can give you some background as to the reason for the legislation.
You see, the legislation, as I understand it, is being drafted because the intent is that this will be a nationwide crop insurane program that would cover all farms. And for that reason it is being drafted by the Federal Crop Insurance Corporation. We have not been involved in the drafting of that particular piece of legislation. Trying to give you a little bit of background on it, there had been some concern in the administration about the tremendous losses that were incurred in 1974 under the 1973 acts disaster provision. The proposal as I understand it sir, will be that to eliminate the disaster provisions of the 1973 act and propose for the Congress to consider a kind of program which would be nationwide, rather than the limited program which is currently being operated by the FCIC. And that the farmers would incur some responsibility by paying some premium for this coverage. And right now, as far as I know, this has not gone to either the Vice President of the Senate, or the House Majority Leader for consideration. It's still in the Department, to the best of my knowledge.
Senator CLARK. I will watch that. Now, it is my understanding that there were nearly 100 change notices and directives issued in 1974 in the implementation of this act. In your judgment, do you think that the people explaining and administering the program understood it, and really kept up with the changes? Let me just proceed on that. We have had a number of farmers who maintain that they really haven't been very appropriately instructed, in terms of what is or was happening. Do you think that is an appropriate criticism?
Mr. SENECHAL. Mr. Chairman, it would not surprise me at all, because this is an entirely new provision of the program, and we have not administered this type of a program before. We were sort of rushed in getting out our administrative instructions on this act.

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I don't know if the 100 number is correct or not, but there were a number of them, I will grant you that. But we tried the best way we possibly could to get the program, as it would be administered, out to the States. And we tried to inform the farmers in the best way possible. Now I think possibly there is no question about it, in the first year of operation that some farmers very likely did not understand it. I think also that part of this is the reason that most of the farmers didn't expect to get any loss on the crop, therefore they probably were not too interested until something happened to them. And I understand this, because in the case of the farmer, for example, where he used to get 100 to 150 bushel yield, he isn't expecting to get 20 or 30. So it just doesn't occur to him that it is going to happen. So I suppose that certainly our education program did not reach all the farmers. I would not deny this. I think possibly there was also some feeling on the part of the farmers that they would not get any benefit out of it, so they weren't really interested in it. So it's both ways.

Senator CLARK. One of the things that we talked about this morning, and asked questions about in regard to people here in Iowa who were administering the program, is the question of the use of computers. And my question to you is why were computers not used to speed up the adjustment process in 1974. It seems to us at least that would simplify the procedure for the county office employees if that could be done. Do you think that would be practical?

Mr. SENECHAL. Mr. Chairman, we gave this very thorough consideration before we went to the administration with this program. There's one problem that we have with a program such as this. There is no way of predicting whether or not the county is going to have a disaster or not. Naturally in a normal year we have anticipated that there might be some problems where they might have some type of disaster, but we certainly did not anticipate what we ran into. It was finally determined, after we had assessed the situation very thoroughly, that in most counties in the United States, 90 percent of them, or even over that, that we would have only occasional claims, and that we could offer better service to the farmer by writing the drafts in the county office. This is the reason we did it. And I think what actually happened in Iowa, in South Dakota, and in other States around here, where the losses were astronomical the county office was just not in a position to keep up with them. So we did the best we possibly could to get the claims adjusted. And of course the payments have to be—we just weren't set up for a situation like that. But that's the reason we did that, because the farmers should have been able to get a draft much faster that way.

Senator CLARK. Now I want to end an old disagreement between the two of us. I went over the testimony of February 21, of last year, and we had discussions at that time, and I argued about your anticipated national average yield of 97 bushels per acre last year. And we talked about that in relation to setting the allotment of 89 million acres.

Mr. SENECHAL. Yes, sir.

Senator CLARK. 89 million acres. And I told you at that time because of the fertilizer shortage, that we were putting land into pro-

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duction that hadn't been put in before, and probably a lower quality, because there were some shortages in terms of the farm machinery and other things, that that semed unrealistically high. And I told you that I was going to ask you about that prediction at some time later about that 97 bushels per acre. Today is the day.

Mr. SENECHAL. I might say, Senator, that the Department has recognized probably some of the reservations you had, because of the 1975——

Senator CLARK. Yes.

Mr. SENECHAL. Finally, what they did do, is they did work out the formula to reflect the tightness of the fertilizer situation. And we did end up with a lower yield than when we had before. So, Senator, I won't argue with you. I think I can say that you must have been right.

Senator CLARK. Well, that really only leads to another question. And that is that, is it entirely coincidental that last year the allotment was 89 million acres at 97 bushels per acre, and this year we have 93 bushels per acre, but still have an allotment of 89—exactly 89 million acres? Or did you just decide on the acreage you are going to support, and adjust the figures to fit that?

Mr. SENECHAL. No, sir.

Senator CLARK. Why exactly the same figure? Is that accidental?

Mr. SENECHAL. It's substantially accidental. Now it might not come out exactly to the 89 million, and that may have been a little bit of an adjustment. But Senator, as you recall, the statute itself does say that the size of the allotment shall be the amount of feed grain, or the amount or number of bushels of feed grain that the Secretary estimates will be utilized domestically, and for export, during the following year.

Senator CLARK. And for reasonable carryover.

Mr. SENECHAL. Well, there is a provision that the Secretary may adjust this up or down, as he sees fit, to provide for an increase in carryover, or decrease in the carryover stocks. And the size of the allotment is the number of acres we estimate using this expected yield divided into the total of estimated disappearance. Now, the reason why this came out to a similar figure, even though we lowered the yield, is because of the fact that we expected our total consumption to be down somewhat from what we had projected last year. Now I can't say that it came out exactly to 89, it might have been 88 and a fraction, and we round it to 89, but it was the computation using our best estimate of supply and disappearance for the 1975 marketing year.

Senator CLARK. Well, then is it fair to say that you really don't want all-out production, you only want 89 million acres of production?

Mr. SENECHAL. No, not necessarily, Mr. Chairman. The basis that we have used in setting the allotments is what the statute requires. So we set it up, and this number of bushels is supposed to be covered by target prices, and also disaster payments. This is what is required under the act. The Department had announced that since farmers were free to plant as much acreage as they want to, the market price would be sufficient incentive for them to plant enough to produce carryover stocks, rather than increase the allotment. And

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this was our justification for holding both the wheat allotments and the feed grain allotments to the——

Senator CLARK. Well, I understand your reasoning, but I don't agree with it. But I do see what you are saying. It seems to me, though, that if you are going to ask farmers to really go on all-out production, and you are encouraging them to produce that, that their disaster provisions should include that acreage, at your best estimated yield. That would not necessarily be true of the target price, but the disaster provisions as well. Now, if you don't want that much production, it seems to me that makes sense. The market price may go up, if you don't have any farm program, it seems to me if we are going to have a farm program, we are going to encourage farmers to produce, that we should give them that assurance. But that is just the difference in philosophies.

Mr. SENECHAL. I might add, too, Mr. Chairman, that one of the things we have mentioned before an increase in the allotment to try to provide for increase in carryover stocks would not eliminate inequities.

Senator CLARK. Yes.

Mr. SENECHAL. Which necessarily wouldn't provide for an equitable guarantee, because we are still tied to an allotment. I think this is one of the weaknesses——

Senator CLARK. I think so, too.

Mr. SENECHAL. Right.

Senator CLARK. I think something should be done about that allotment. Were you here to hear other witnesses?

Mr. SENECHAL. Yes, sir, I came right after lunch, and I did have an opportunity to listen to some of the other witnesses while I was here. I was not here this morning, sir.

Senator CLARK. OK, we appreciate your taking your time to hear them. That is one of the our main concerns and that has been expressed here, and we hear all across the country, whether or not we are going to produce too much. That seems to be the central issue—plus the export controls which we have heard a good deal about this afternoon, as we did this morning. And so we invite you to carry this message back to the Secretary of Agriculture, and others of the Department, and we appreciate any additional comments you may have about the disaster provisions for the record. Thank you very much.

Mr. SENECHAL. Thank you, Senator.

Senator CLARK. We have another witness. Roger Horton, farmer, Rural Route 1, Woodward, Iowa. Roger, would you come down?

Mr. HORTON. Thank you, Senator.

Senator CLARK. Roger, you just proceed in any way you think appropriate.

STATEMENT OF ROGER D. HORTON, WOODWARD, IOWA

Mr. HORTON. Senator Clark, I want to thank you for coming and for showing this interest in the farmers.

First off, I sat out there and I heard the target price talked from \$1.90 to \$2. I think it's hard to put a price, because last year I paid \$225, and this year it's going to cost me \$325. My seed corn last year was around \$34.90, this year it's \$47.50 a bushel. You want farmers

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to produce—we'll produce all the corn and stuff you want. But I think when we do this, we should be at least guaranteed our cost of production. This has to be realistic. You've got to average this out. I can go way overboard—but I don't think any other industry would go out and produce automobiles or trucks, for example, or anything, if they knew they couldn't meet the cost of production. I want to see the Government say we'll stay completely out of the farm program. So since they put the export controls on us, rather than have that, I would rather see them come and support us for the cost of production. Not only do this, but have Government reserves that would feed the world. If we have a Government reserve, I think it should be on the farm, let the farms have the say. I think the farmer should have the right to move it on the market when he wants to. And you should store it on the farm. Now, I could be wrong on this, but I think the elevator in town got more for my corn than I did on the farm. I think about 5 years ago the ASC had a program where you could borrow money on a low rate, now the rate is about the same that I can borrow it from the bank as I can from them. I do think grain should be stored on the farm, for the farmers own control. And I think if you'll put this program under farm rule, you have a higher surplus. The target price—I'm not going to go into this. I'm not interested in the loan price, because I can borrow it from the bank. I do want to tell you if you can have this, I think you will get a profit. And myself, I used to have hogs, dairy, and beef. Beef prices have put me out, and labor has put me out of the dairy, because it's hard to get help. I used to have hay, and I used to have oats. Now, because the disaster came, and that allotment was based back about 15 years ago. Today's farming is changing at a greater rate, so those things should be brought up to be more current. Our allotments have to be kept up. Another thing, our machinery cost is up pretty good this last year. I bought a new planter, and it's up 10 percent already since January 1. And with these staggering prices on our increases, we have to have some kind of reassurance that we can meet at least our costs. Now, I'll agree that $12 beans is ridiculous. That's way above it. That is ridiculous.

Senator CLARK. And not very many people got it.

Mr. HORTON. No. And I think you should get into the large grain companies and investigate them. That scandal would make Watergate look like nothing. I don't think it's right for somebody to sit out here who is a nonfarmer, not connected with agriculture, and buy and sell to affect my whole year's income. All it is is simply a gamble. If he wants to gamble, let him go to Las Vegas. But that is my yearly income, and it's uncertain. He wouldn't want me sitting playing the Board of Trade on his wages, and that's just what it boils down to. And as far as some kind of a support, some people say we are supporting farmers again, but labor has a minimum wage. So I think we need at least cost of production.

And I want to thank you, Senator Clark, for coming. This is what I think we need is more people from Washington to come out and see the beautiful place we have here. And thank you.

Senator CLARK. Thank you very much. It was very well stated.

We have asked anyone who wished to testify here today to come up, and anyone who has any additional comments—I think we have received a number of good ideas that we will take back with us. We

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are going to be in Kingsley tomorrow doing the same thing. Kingsley is a small town near Sioux City.

It seems to me that, although it is difficult to summarize what has occurred here today, in terms of recommendations, because we have had every single person display different ideas, and that's what we want, that's what this is all about. We didn't expect anyone to come here this afternoon and do it any other way. We have had some different ideas that we haven't had presented before to this committee. I think this has been particularly helpful with regard to disaster provisions, which as Mr. Senechal just said, we never really anticipated when that bill was written that it would be put to such great use. So it has been a good test of how well or how poorly it really works. And I think we can go back now and write a much better bill, based on the testimony that we have had from you people here.

I think the whole allotment system has been challenged very seriously here today on a number of occasions. And I think it behooves us to take a much closer look at that.

There has been a good deal of discussion from time to time about the Commodity Exchange. We have two bills on the Commodity Exchanges that many of us have worked on for a very long time, and we think it's going to make it real different if that goes into effect next month.

We've had a lot of testimony on target and loans, and the concensus obviously there—I suspect from the majority of the people that testified that it ought to be for an increase in target prices, for roughly the cost of production, and others want a fair profit above that.

So we have had some good testimony, and we appreciate some of you staying here all day and testifying, and just being with us. This hearing is now adjourned.

[Whereupon, at 3:45 p.m., the hearing was adjourned, subject to call of the Chair.]

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ADDITIONAL STATEMENTS FILED FOR THE RECORD

Statement of James L. Murphy, Runnells, Iowa

I am presently farming 200 acres in Polk and Dickinson Counties, Iowa, and have farmed since 1950. In addition I have worked in Federal Farm Program Administration on the township and State levels.

SUGGESTIONS

1. Increase target price and loan rate for corn to $2.50 per bushel, national average. Increase rates for other commodities correspondingly. Our production costs on 152 acres of corn in Dickinson County will be more than $200 per acre.

2. If 1975 production is greater than demand, depressed prices can be avoided by establishing a strategic reserve. Adequate mechanism for immediate enactment is available through proposals developed by Iowa Congressman Neal Smith and Iowa Senator Dick Clark.

3. Farmer attempts to voluntarily reduce acreage should be discouraged for the following reasons:

A. The world needs all we can produce.

B. Many farmers have land already plowed and fertilizer applied for 1975. A reduction by these farmers is a much greater sacrifice than the same cut by a farmer with no investment made for the 1975 crop.

C. There is a strong likelihood that the people will elect a Democratic Federal Administration in 1976. History indicates that 1975 and 1976 acreage may be used for farm bases just as 1959 and 1960 acreages were used at the end of the Eisenhower-Benson era. If this is the case, those farmers who reduce their acreage in 1975 and 1976 will reduce their income and their land value for years to come.

Thank you for providing this opportunity.

Statement of Ralph T. Jackson, Executive Vice President, American Soybean Association, Hudson, Iowa

Mr. Chairman. I am Ralph Jackson, executive vice president of the American Soybean Association. I represent the only association organized solely to represent the 600,000 soybean farmers in the United States. Our headquarters are located in Hudson, Iowa, and we maintain offices in Brussels, Belgium; Hamburg, Germany; Vienna, Austria; Mexico City, Mexico; Tokyo, Japan, and Taipei, Taiwan. All of these offices, all of our personnel and all of our resources serve one goal: The freedom of any soybean farmer in the United States to plant all the soybeans he wishes and then to sell all the soybeans he produces at a profitable price. Under our rules, all board of directors and officers of the American Soybean Association must be soybean farmers. It is therefore natural that they make decisions and support propositions favorable to their own well-being. However, their views on how soybean production and marketing should be treated in a government farm program not only serves their interests, but serves the best interests of consumers, taxpayers and the nation in general. I would like to outline a few subjects of interest to soybean farmers and the entire nation.

The American Soybean Association, after thorough investigation and deliberation of the facts, has reached the conclusion that farmers and private industry are in the process of solving the grain reserve problem and that intervention in this matter by the Government would have a negative effect

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on the U.S. farmers, economy and consumers. Before discussing the future of grain reserves a review of their history will be helpful. For many years, the U.S. taxpayers were stuck with the bill for the world's food reserves. These reserves were carried as a byproduct of price support programs that channeled surplus farm products into Government ownership. The taxpayers complained bitterly about paying farmers not to farm. They complained about unsold farm commodities being purchased with tax dollars. The taxpayers were unhappy, but that is no comparison to how the soybean farmer felt about his predicament. During those years, any country that needed to earn trading dollars abroad, or any country with excess production of competing products could dump that commodity on the international market. They simply had to price that product in the international market just under the release price established by the U.S. Commodity Credit Corporation and pay their farmers enough to guarantee them a profit. U.S. soybeans were not allowed to be competitive on the world market. As stockpiles increased, so did the anger of taxpayers because they paid more. As the stockpiles increased, so did the anger of soybean farmers, because the price of their product was forced down. Government held reserves did not work then and they will not work now.

The Federal Government's current efforts to control commodity exports are detrimental to U.S. farmers and consumers. Beyond that, it has an adverse effect on this Nation's relationship with other nations that we need to count as our friends and allies. First of all, the United States depends upon agricultural exports to pay for the goods we must purchase from other countries, but during the last year we spent over $3 billion more for imports than we received from exports. It is simply not good business to limit the sale of agricultural commodities. We cannot compete in international markets with shoes, automobiles and many other manufactured products. But the U.S. farmer's efficiency allows this Nation a tremendous trade advantage on agricultural products. Just as a businessman would not hide his best selling product, it is illogical for the United States to restrict sales of its most salable product.

Another facet of this absurd situation is that we are earning even less from the commodities we do sell overseas—particularly soybeans. The result of export controls is lower prices for our products; therefore, the soybeans we do export are sold at a lower price than would exist under a free market situation. The end result is further erosion of our balance of payments.

In early October the Federal Government halted the sale of corn and wheat to Russia. While not directly involving soybeans this action had an adverse effect on soybean prices. Since that time the United States has scaled down a large corn sale to Portugal and sales to Mexico and Greece. These are countries that do not have the land mass for domestic production but must rely upon the United States for adequate supplies.

To get down to specifics, we exported 177,864,000 bushels of soybeans the last quarter of 1973. After export controls were placed into effect, we exported only 155,714,000 bushels in the last quarter of 1974. The difference is about $150 million lost in international trade. An even more alarming result of export controls is revealed by examining the after effects of President Ford's decision to disallow the sale of grains to Soviet Russia in early October. Cash prices for soybeans declined over $1 per bushel the next week. In effect, the administration devalued the holdings of American soybean farmers by at least $1.2 billion. On an individual basis, a farmer averaging 30 bushels per acre on 100 acres lost $3,000 out of a possible $13,500 profit ($3.50 per bushel production cost and $8 per bushel selling cost). Would the administration dare take $3,000 from every blue collar worker earning $13,500? In a time of raging inflation, would the administration dare reduce the income of every worker by 22 percent. The questions are ridiculous, but no more ridiculous than the Government's action.

Soybean farmers have demonstrated that they will produce all the soybeans necessary if given the proper incentive. Production has grown at a phenomenal rate. We produced only 555 million bushels in 1960, but more than doubled that to over 1.2 billion bushels in 1974. The one incentive causing the greatest incentive in production is the farmer's ability to sell the results of his production at a profitable price on the free market. Farmers simply do not respond to Government demands for increased production. They do respond to demands of the marketplace. The last two crop seasons make a perfect example. First of all, the farmer surveys his alternatives just as any other businessman. In

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the spring of 1973, we had a carryover of only 60 million bushels of soybeans and the price was excellent when compared to corn and other alternate crops. The result was a 24 percent increase in production. This past crop year, the farmer was faced with the possibility of 200 to 240 million bushel carryover and it appeared that the price of corn would make corn more profitable than soybeans. The result was less soybeans acreage and more core planted. The farmer responded to the call of the marketplace, not the demand of Government.

The American Soybean Association believes that the current decrease in consumption of soybeans and the losses already incurred by soybean farmers as a result of Government action, dictates that all restrictions on exports be removed as soon as possible. Since we are not in favor of Government held reserves of soybeans and we are not in favor of export controls, what kind of legislation would soybean farmers like to see enacted? To reiterate, we are against any legislative or administrative action that tends to reduce the farmer's incentive to produce or his production efficiency. We do favor legislation enhancing his ability to produce soybeans.

I would like to discuss some of the specific problems confronting the American soybean farmer and to suggest ways in which these problems can be changed into opportunities. Again, I speak not only of opportunities for the soybean farmer, but for the consumer. By making a small investment in soybean research relative to the total importance of soybeans to this nation, we can reap bountiful rewards in terms of increased productivity, improved standards of living for millions and a very necessary improvement in our nation's balance of payments. That may sound like a rather broad and brash statement, but a look at the record shows that the soybean crop was worth only $11 million 50 years ago, but was valued at $7.5 billion in 1973.

The American farmer is already the most efficient in the world—but we must act quickly to keep American food production profitable. I shudder at the thought of this Nation becoming as dependent upon production of food as we are upon the production of certain other materials—namely petroleum. The American farmers works only 9 percent of the 3.8 billion acres under cultivation in the world, but he produces enough to serve this Nation and allow $20 billion worth of agricultural products to flow overseas in return for foreign exchange.

To be specific, soybean production must become more efficient in terms of cost per unit produced. While the cost of producing a bushel of soybeans in 1972 was approximately $2.50, the cost will range from $4 to $5 per bushel in 1975. In other words, the cost of production has increased approximately $2 or 90 percent on some of the most efficient farms in the world. Soybeans are a relatively young crop in the history of American agriculture. The Department of Agriculture just started keeping records on soybean production 50 years ago. Soybeans are now the number one crop in the Nation, but research expenditures have not kept pace with the growth in economic importance. This year, USDA will invest about $5 million in soybean production research. That equals .0006 percent of the total value of the crop. If the Government wishes to increase soybean production and assure consumers that soybeans will be plentiful in the future, the American Soybean Association recommends an immediate and substantial increase in soybean production research.

Along the same vein, the American Soybean Association opposes any loans or grants designed to increase production of commodities that are exported in direct competition with U.S. soybeans. We believe that every country has the right to grow crops of its own choosing, including soybeans, but we are opposed to this Government subsidizing their production. We understand the concern that food be produced for the hungry people of this world. Soybean farmers are compassionate people and we are sympathetic to assisting food production for domestic consumption in developing countries. However, we cannot understand the logic behind this Government subsidizing soybean production in countries that are already exporting soybeans. In fact, assistance to foreign production for exports represents a diversion of resources for that country. Instead of producing soybeans to feed their own hungry people, they will be investing land, labor and fertilizer for production of food for export in direct competition to the most salable product the United States has—soybeans. We strongly recommend that all AID loans to assist foreign countries in the production of soybeans and competing products be eliminated.

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Soybean farmers are not sitting back looking for a handout from Government. They have developed and are funding market development programs designed to increase the demand for their product. Soybean farmers in 14 States are financing market development and production research with a ½-cent per bushel checkoff. The taxpayer can thank farm exports for sharply reducing the need for Government farm programs, which means less tax costs. Farm program payments to farmers were $4 billion in 1972, but were only about $500 million in 1974. Exports helped make the American soybean farmer more efficient by bringing nonproductive land into production. In recent years the United States has been increasing imports of industrial and consumer products more rapidly than it exports of goods. This would have created a disastrous balance of payments situation if it were not for increase of farm exports. The Foreign Agricultural Service of the USDA assists soybean farmers in developing overseas markets and this assistance is greatly appreciated.

Mr. Chairman, I sincerely appreciate this opportunity to publicly discuss our position on Government agricultural policy. Thank you.

Statement of Donald J. Johnson, Chairman, State Soil Conservation Committee, Des Moines, Iowa

I am sorry I was unable to attend the Senate Agricultural Committee hearing held at the State Fairgrounds in Des Moines, Iowa, on March 4, 1975. I want you to know that we appreciate the effort you are making to keep in touch with local thinking on issues and problems in the conservation programs confronting us here in Iowa.

I would like to express the feelings and opinions of the members of the State Soil Conservation Committee in regard to changes that we feel should be made in the farm bill.

The State of Iowa constitutes an important area of the highly productive Corn Belt region of the United States. This productive agriculture is made possible by large areas of high-producing soils, a favorable climate, and efficient farm management. The capacity of Iowa soils to produce farm crops is well known.

However, the soil erosion problems that are often a result of high crop production are not as well known. In much of the rolling and hilly lands of the State, erosion problems are severe. These soils are subjected to severe erosion when intensively tilled for crop production and conservation practices are not used. Although we can be justly proud of the conservation program here in Iowa and the accomplishments made to date, we are the first to realize that there is a long, long way to go before the job is completed. Only about a third of Iowa's cropland is adequately treated against erosion. Less than half is treated well enough to reduce soil losses to allowable limits established by the industrial soil conservation districts under the Iowa Conservancy Law.

Heavy spring rains in 1974 caused the worst soil erosion in Iowa in 25 years. Four and one-half million acres of the State's 20 million acres of corn and soybean land suffered severe erosion (more than 10 tons per acre). Another 1.1 million acres were flooded. About 570,000 acres didn't produce a crop because of erosion or flooding and 1.5 million acres were expected to yield no better than half a crop. Soil losses of 40 to 50 tons an acre were not uncommon, and some areas reached 200 tons an acre.

The soil conservation program in this time of increased emphasis on production should be accelerated rather than reduced. Some general items which we feel have caused reduction in the overall conservation efforts are:

1. Lack of stability and uncertainties of annual cost-share programs. There is need for long-term cost-share agreements with land users. Better planning and decisionmaking results when the land user can depend on a cost-share program in development of his long-term objectives. The on-again-off-again soil conservation cost-share program on the Federal level has created a great deal of uncertainty on the part of landowners and contractors and the program has suffered as a result.

2. Increased production programs have resulted in considerable misuse of land. Intensity of cropping system has further compounded the problem. The trend toward more mechanization and larger equipment has had an adverse impact on contour farming, terracing and contour strip-cropping.

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3. Some farmers tend to think in terms of short-term gains (profits) and overlook the long-term cost in terms of soil loss and depletion.

4. Recent restrictions on energy use and travel have caused a reduction in conservation application. For example, the energy crisis resulted in shortage of tile, metal pipe and other materials. This energy shortage affected the farmer, contractor and Soil Conservation Service.

5. The environmental crisis has severely affected our watershed program.

a. The environmental crisis has put channel work, floodwater retarding structures and drainage in a bad light. A certain amount of response had to be made on the critics of this part of the program. Much planning time has been spent in the restudy of all watershed projects that contain unconstructed channel.

The National Environmental Policy Act (NEPA) of 1969 requires the preparation of an Environmental Impact Statement (EIS) for all "Major Federal Actions". All, except grade stabilization, come under this act. It is retroactive for approved projects. While NEPA has not as yet caused any delay in watershed construction, it has significantly delayed planning. Much planning effort has been spent on projects approved prior to the enactment of NEPA.

The preparation of EIS has also required additional data that has not been gathered in the past. The extensive review established by NEPA has lengthened the review period for plans and EIS.

b. Construction costs have risen faster than benefits in the past few years making some projects hard to justify.

While all of the above recent items have adversely affected the conservation programs in Iowa, the most drastic effect has been caused by reduction of Soil Conservation Service funds and personnel. The Soil Conservation Service in Iowa has lost 110 people in the past 4 years and will lose another nine this year. The agency has also experienced a serious fund reduction in the past several years. It seems inconsistent for the Federal Government, through the USDA, to advocate all-out food production and then reduce staff of the very agency that is charged with the responsibility of providing technical assistance on conservation matters. We read each day in the newspapers about conserving oil and the concern our national leaders have for this matter. What will happen to this country and the world food supply if its most valuable natural resource, the soil, is depleted to the extent that it is no longer productive? If soil conservation districts are to continue with their assistance to landowners on technical matters relating to soil conservation, adequate staffing of the Soil Conservation Service is a must.

The State Soil Conservation Committee respectfully requests that any new farm bill take into consideration increased funding and personnel ceilings for the Soil Conservation Service, establishing a permanent cost-sharing program for permanent conservation practices utilizing the long-term agreement concept, the modification of the environmental requirements and lengthy reviews.

Statement of John M. Kern, Norwalk, Iowa

I was unable to attend your hearing in Des Moines, I do have some convictions on the subject.

One of the problems is the development of markets and this can involve the planning of a system to meet someone's need. This will mean sales for more than one product or service. If producers can stay in business participation will not be enough. There are many skilled men in the Government and colleges in this field but to develop their best takes the producer to assist and back them.

No business is guaranteed a profit for an extended period and the period becomes shorter as time passes. Constant appraisal and development are required.

On the bonding of livestock sales if the producers through check offs would build a fund of about 50 million, this would not be a burden on cattle alone as there are over 100 million head, but when others are included it becomes very small. This fund with the assistance of the packers and stockyard people should be able to take care of the situation. The sellers should and would be able to blow the whistle on bad or funny checks much faster than auditors or other supervisory people.

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STATEMENT OF WILLIAM HOMMER, POLK CITY, IOWA

I am a lifetime Polk County resident. I farmed all my adult life as a tenant farmer. In 1969 I purchased a 120 acre farm. I now own and rent 400 acres with 350 row crop acres ½ corn, ½ beans, no livestock. Through the 1950's and 1960's, figures show average farmer's income about 80 percent of average nonfarmer income. In the last two or three years farmers have received 100 percent or more income compared to nonfarmers. During this time it appeared free enterprise system was working.

Now since we have Government embargoes on foreign markets, this has put ceiling on our price grain. Since this has happened, we feel a price support being realistic to our cost of production should be established if we are to have all-out production as the Government has suggested. We would prefer open markets.

It would appear to us if we have worldwide famine, U.S. grain should be in a desirable position to trade in world markets, for fuel as energy.

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AGRICULTURE AND ANTI-DEPRESSION ACT OF 1975

FRIDAY, MARCH 14, 1975

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Kingsley, Iowa.

The committee met, pursuant to notice, at 10 a.m., at the Herbold Auction Company Sale Barn, Kingsley, Iowa, Hon. Dick Clark presiding.

Present: Senator Clark.

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM THE STATE OF IOWA

Senator CLARK. The committee meeting will come to order. This hearing of the Senate Agriculture and Forestry Committee will now begin.

We're here today to spend a few hours talking about American agriculture: The potential and the problems, the hopes and fears, the prospects for crops and prosperity in the months ahead.

Very soon, farmers on more than 125,000 Iowa farms will begin to plant their corn and soybeans. The decisions they're making about how much to grow will have a profound impact on the availability and cost of food—not only in this country, but in many countries throughout the world. Cattle, hog, and poultry feeders, wheat farmers, cotton growers—all are making the same kind of judgments and, together, their decisions will have as much influence on the Nation's economic well-being as the decisions of Congress or the administration, or the Federal Reserve.

Given the importance of that collective judgment, however, the circumstances today are not very encouraging.

The market price of corn, beans and small grain has dropped a quarter to a third since October—farm prices as a whole fell 4 percent between January 15 and February 15. Beef cattle are selling at $35 a hundred—up a bit from a month ago when the national average fell below $30 for the first time in 5 years. The total number of cattle, cows and calves, is at a record high, but the number of cattle on feed has gone down almost 40 percent in the last year—not surprising when the cost of production outruns the market price as it has with beef. Yet with all of this, there are reports that the Ford administration apparently wants to increase beef imports, which already are running at a rate of more than a billion pounds a year.

Inflation has infected the entire economy, and food is no exception. In 1974 food prices went up 14 percent, but the cost of raising and

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growing the food went up even faster. In 1974, the consumer paid more than ever for products on the supermarket shelf, but the farmer received less and less of the food dollar—under 40 cents as of last month. The price of beef at the supermarket has declined in the last year, but all of that decrease—and more—has come at the expense of the cow-calf man and the feeder.

There's a Department of Agriculture in Washington, D.C. that neither understands nor represents the farmer. Blizzards and bankruptcy have added to all the problems. And now there's a possibility that the Rock Island railroad—an important part of Iowa's transportation network, especially in this part of the State—may have its service interrupted or curtailed because of a financial crisis.

With all of this, it's not surprising that some farmers want to produce less. They're justifiably afraid of the boom-bust cycle that has plagued agriculture in this country for so long. They look at the market price of grain and beef, they look at the cost of fertilizer and machinery and energy, and they look at what's going on in Washington, D.C., and they don't like the way the wind is blowing.

But there are some very important and encouraging developments as well.

The House and Senate Agriculture Committees have been working on new farm legislation to improve target prices, loan rates, disaster provisions, allotments and a variety of other areas to encourage production. There'll be a vote in the House next week on emergency legislation that sets the target price for corn at $2.25—with a corn loan rate of $1.87, and about $3.94 for soybeans. A Senate vote on similar legislation will come soon after that, while the Senate Agriculture Committee drafts more comprehensive legislation, based in part on the testimony received here today. And I can tell you that I am most disturbed by Secretary Butz's promise to have the President veto those increases in the target prices and the loan rates. Secretary Butz may think that a $1.05 loan-rate for corn is realistic—I do not. It is half the cost of production. And I can tell you that if that veto comes, there is no way the Congress will override that veto. We cannot get a two-thirds vote. And that will mean a $1.05 for corn, and $1.38 for the target, and no loan on soybeans. And that would be a disaster, in my judgment.

There also should be action soon on other essential legislation: Legislation to improve FmHA's disaster loan program in the wake of the January blizzard that devastated livestock feeders in parts of northwest Iowa. And I know that Congressman Bedell, who had hoped to be here today, his representative is here, is back today trying to get that bill through the House of Representatives, and we are hopeful of taking it up on Tuesday in the Senate Agriculture Committee. Legislation to set tighter limits on beef imports, and legislation to establish a beef checkoff plan that could encourage research and consumer education and market development. In addition, we're trying to insure that the service provided by the Rock Island railroad doesn't evaporate and cut off thousands of farmers from their markets. Senator Pearson of Kansas and I are sponsoring legislation that would enable the Union Pacific railroad to take over the Rock Island immediately—at least on a temporary basis. The Senate Commerce Committee will be considering this bill and other alternatives

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next week, and this legislation can be part of an insurance policy that keeps the trains running if the Rock Island runs out of money. I understand that a loan is being considered today by the U.S. Railroad Association, and if that loan is turned down, certainly we have to make other efforts then—perhaps along the line of the bill that I am discussing, to be sure that there is no interruption in rail service.

The emphasis in Congress over the next few weeks—and the emphasis here today—will be centered on farm prices and the Government's farm program. With both corn and soybeans selling not far above the cost of production—and beef below cost—the importance of putting the farm program back in touch with reality is all too obvious. The alternative—the same farm bill with the same kind of indifference from Government—can only mean reduced production, even higher consumer prices, and more bad news for the Nation's economy.

If this country wants the farmer to produce more grain and more beef, the Government has an obligation to help create an atmosphere that encourages production. The farmer does not want Government subsidies or USDA bureaucrats telling him how much of what crop to plant. But the farmer does want and deserve some assurance, some insurance, that bad policies or bad weather or violent price fluctuations won't drive him off the farm as he tries to produce food for the Nation and a good part of the world.

For 10 full days last month, the Senate Agriculture Committee listened to more than 50 experts, Government officials, lobbyists, farmers, and consumers talk about farming and what might be done to improve the 1973 Farm Act and encourage production. Some of them said Congress should throw out the bill and start over. Others said it was fine, that farmers should produce a record harvest if everyone would only let the free market system work. The best course, in my judgment, probably lies somewhere between those two extremes, and I hope in these hearings that you will help us find out what the Senate and this committee should do.

There are a great many proposals, a great many areas to explore in these hearings—target prices, loan rates, fertilizer supply, disaster provisions, and many more. The information and suggestions that you give us will help the Senate Agriculture Committee write a new farm bill that meets the needs of the farmer and the consumer.

As we go through the day, it's important to remember just how much is at stake in all of this. No State has a greater dependence on farm income than the State of Iowa. We are No. 1. No State produces more corn or more hogs. The Nation's balance of trade and its economic well-being depend in no small part on Iowa's agricultural production. These hearings—and the legislation they will help shape—are not just farm hearings because what we do, what the American farmer does, will affect people everywhere. After all, when it comes to food, we're all in it together.

So let us start the hearings. Let me say that because of the time limitations, we will try to limit the amount of time that each speaker has. We would like to give several people an opportunity to speak. Therefore, I am going to ask Tom Saylor, who is on my right, from the Senate Agriculture staff, to please keep time, and maybe ring the bell—does that bell work?—at the end of 10 minutes. We will have him ring it a little bit before the 10 minutes are up so that we will

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have time for questions and will have time to hear from as many people as possible, and hopefully many witnesses.

So with that, let me introduce Bob Wegmuller, and if any of you have questions or would like to speak please contact Bob and he will see that you are given an opportunity to testify. Clayton Hodgson, who is the farm liaison representative from the office of Congressman Bedell, will present Congressman Bedell's statement. I might just say, by way of opening, that Congressman Bedell is a member of the House Agriculture Committee.

STATEMENT OF HON. BERKLEY BEDELL, REPRESENTATIVE IN CONGRESS FROM THE 6TH CONGRESSIONAL DISTRICT OF IOWA, PRESENTED BY CLAYTON HODGSON

Mr. BEDELL. Mr. Chairman, I would like to welcome the committee to Iowa's Sixth Congressional District and express my strong support for these field hearings in the heartland of American agriculture. I am sorry that I am unable to be with you today in person, but I must be in Washington today for consideration of emergency livestock loan legislation before the Joint House Subcommittees on Conservation and Credit, and Livestock and Grains.

The 93d Congress enacted major farm legislation in 1973 which was designed to insure the production of an adequate supply of farm commodities for American consumers. Under the Agriculture and Consumer Protection Act, our farmers could be assured of an adequate return for their crops at 1973 production costs.

But that situation no longer exists. Soaring production costs and forecasted high production levels make it imperative that Congress act quickly this year to raise target prices and loan levels on major agricultural commodities in time for farmers to prepare for their 1975 planting.

According to the U.S. Department of Agriculture, farm production expenses rose $10 billion last year over 1973. Fuel and fertilizer costs, reflecting the rising costs of petroleum products, soared to critical levels for the farmer, with the cost of fertilizer soaring by 70 percent in 1973 alone. Prices paid for production items, interests, taxes, and wage rates rose 15 percent last year. Because of tight supplies, seed prices rose one third. As a result last year net farm income fell by about $5 billion from 1973.

America's agricultural strength is our greatest trade asset and we have the capability to feed the world. In 1974, agriculture export sales brought about $21.25 billion into this country from foreign sources. In this era of petrodollars and multinational oil cartels, American food production is an essential component in improving our balance of trade picture. To accomplish this, it is important that American farmers be guaranteed protection from slumping domestic markets.

If our grain farmers are asked to plant their 1975 crops at the target and loan levels set in the 1973 legislation, they will not have that protection. H.R. 4296, which I have cosponsored, sets significantly higher target levels for 1975 crops. This legislation, which unlike the Senate effort, is clearly an emergency bill designed to head off production cuts, passed the House Agriculture Committee March

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6, by an overwhelming 32 to 8 vote and is slated for consideration on the House floor next week.

H.R. 4296 sets new targets for corn at $2.25 per bushel, wheat at $3.10 per bushel, and at comparable levels for other feed grains. Not everyone agrees that these figures are ideal, but I contend they are not inflationary and they will meet the test of protecting the farmer from high production levels and an unsteady market. I would urge that the Senate adopt similar figures so that these new target levels can be enacted into law as quickly as possible.

Also, H.R. 4296 reestablishes a system of producer loans for soybeans calculated to reflect corn support levels during the preceding 3 years. Under this formula, the soybean loan rate for the 1975 crop would be about $3.94 per bushel. I would urge the Senate include a similar provision.

A strong agricultural economy is crucial to the economic health of America. If we are to build a better Nation, we must all take that into account. During the past 2 years, the livestock industry has suffered terrible reversals in the market. Since 1972 some 17,000 feedlots have gone out of business, and no significant improvement for our livestock farmers is in sight. A similar slump in the grain industry could prove catastrophic to rural America. Congress must act now, to improve the outlook for 1975, before it is too late.

Thank you, Mr. Chairman.

Senator CLARK. Thank you very much. And I will ask you, if you would join us here on the panel and take back whatever is said here to Congressman Bedell. I know that he would be interested.

Mr. HODGSON. Surely.

Senator CLARK. We're going to hear first now from Paul Jacobson, listed here as being from Crawford County, Rural Route 1, Dow City. He is an engineer and farmer, and I think representing himself. Proceed in any way you think appropriate, Paul.

STATEMENT OF PAUL JACOBSON, DOW CITY, IOWA

Mr. JACKSON. Thank you for this opportunity to appear before this group. I was in Washington a few weeks ago, and I met with your agricultural representative, Bob Wegmuller. At that time, we discussed appropriations for soil conservation, which will be of great need, if we are going into this heavy production proposed by the U.S. Department of Agriculture. Quite often, the President has stopped the use of our ACP funds. Also, the President has proposed cutting the establishment of new watersheds under the 566 program.

During the past 30 years the United States has appropriated over $14 billion for soil conservation. Iowa has spent additional money for soil conservation. The State Conservationist of Iowa, Wilson Moon, in a recent article in the Des Moines Register, stated that even with this expenditure, less than 50 percent of the job has been done. As you look around this territory, you are in one of the areas subject to the greatest erosion of any territory in the United States. With the heavy cropping we are doing now, erosion will increase tremendously. In the Des Moines Register about two Sundays ago, The University of Iowa had an article about a watershed of 3,500 acres. In this article, Otto Knauth estimated that 50,000 pounds of nitrogen was lost from

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this watershed last year. In terms of cost, he estimated the nitrogen loss at $7,000 to $11,500. If these kinds of soil and plant food losses are occurring, it is time that we realistically analyze our present erosion control program.

In view of the general lack of accomplishment from the expenditure of money for Soil Conservation Programs, it is my opinion that some new approaches should be tried. One of the most promising is the watershed approach. Several years ago, the Macedonia Watershed, located in Western Iowa, near the town of that name, was completely terraced. On a rather large area of about 1,000 acres about seven farmers went together to do a complete erosion control job. I expect this represents a landmark—the most complete erosion control project in Western Iowa. This project demonstrates that more intensive conservation is possible when we—the people—work together toward this goal.

My own farm, located near Dow City, Iowa in the deep loess soil area, probably has the most complete erosion control program you will find anywhere in the world. We have done some things differently. We have tried to accomplish complete erosion control and still provide ease in farming.

So what I am proposing, and it has the acceptance of the Soil Conservation Service in Washington and in Iowa—is that you actually earmark about $200,000 of the moneys appropriated for the public law 566 for the setting up of six small watersheds in Western Iowa. These six small watersheds, each of approximately 1,000 acres, would be set up as pilot watersheds where upland erosion control practices of complete terrace systems would be installed, similar to the one which has been tested on my farm.

I think the estimated cost of the 566 program is around $122 million. This is what is proposed for 1975 appropriation, and this project would take out of that whole sum the sum of about $200,000. In other words, these would be set up as pilot watersheds to try new programs to see if we can't get more soil conservation from the money spent. What we are asking you, and Representative Bedell, and also Representative Harkin because the deep loess area of western Iowa is predominantly in their territory, we ask them that the earmark the $200,000 in the 566 appropriation so the start of work on these six watersheds wouldn't be stopped by the President. Now in essence, this is what I am proposing and what I would like to see done so we get more work done on this job of soil erosion control. I hope you will consider this when the appropriations for 566 comes along, to be sure that type of rider is put into the bill, setting up a new type of program where the emphasis is on uplands treatment rather than the downstream treatment, which is in the present emphasis in the 566 program. I thank you for this opportunity, I hope something will come out of this. You have a complete letter on this, you have all of the articles that are covered by the papers, and other articles that have been written on this particular subjects. I thank you.

Senator CLARK. Thank you very much. We appreciate, Mr. Jacobson, your coming out to testify on this subject, because all too often I think our testimony is simply about how we are going to produce more and about increased yields, and increased acreage, and so I am

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delighted that somebody would talke about soil conservation and some of the dangers by way of plowing up a lot of the land that we shouldn't be plowing up. That clearly emerges when government pushes hard to try to get production. It is always passed over by the President. In fact, Presidents of both parties for the last several years have always wanted to cut soil conservation funds. Ever since I can remember being associated with the Government, about 10 years, the President always wanted to cut funds for soil conservation. Why, is beyond me, because I don't know of any investment in the world that would be any more effective than soil conservation. We tried last year, in fact passed in the House and Senate, a measure to save the money which President Nixon had impounded for soil conservation, and the President—Ford in this case—caused the bill to be pocket vetoed. Conservation is a good investment, and I am glad you came by to talk about it.

We are going to hear next from Ed Schettler, route 1, Emmetsburg, farmer, and vice president of the Iowa Soybean Association. Ed, we want you to proceed in any way you think appropriate. I am going to have to step out for about 3 minutes while you are testifying. I am happy to have the outline of your statement here. So Tom will chair the meeting while I'm out.

STATEMENT OF ED SCHETTLER, VICE PRESIDENT, IOWA SOYBEAN ASSOCIATION, EMMETSBURG, IOWA

Mr. Schettler. First, I want to thank you for the opportunity to appear here.

Iowa Farmers have long shared a policy of abundance, full production, and effectiveness. They believe in private enterprise, the free market system, and that the success or failure of a farm operation be based on its merits or lack thereof. They feel than any Government program should enhance that philosophy.

In turn they accept responsibilities to:

1. Continue to supply a dependable, high grade product to the American housewife at a reasonable price.
2. Offer the same dependable, high grade, reasonably priced product to our overseas buyers—without the threat of controls or embargoes.
3. Continue to upgrade their product, their effectiveness, and their overall farm operation.

The Iowa Soybean Association feels that in order to insure the continued success of such a philosophy the Federal Government needs to adhere to three basic principles:

1. That the Government hold no grain as a totally owned reserve.
2. That the Government impose no export controls, be they embargoes, stringent monitoring, or cancellations.
3. That the Government uphold the principle of free enterprise and the free market systems.

As Iowa farmers, we feel that we would like to see the Federal Government more actively involved in two very vital aspects of agriculture. In order to cover the full spectrum of the agricultural industry, the Government should increase funding for soybean research and for overseas market development.

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By matching existing State and third party funds in soybean research, the Government could accelerate yield potential, reduce loss by disease, and bolster production while effectively reducing the overall per unit cost.

By continued or increased funding to the Foreign Agricultural Service, along with State promotion funds and third party private funds, the Federal Government can help create overseas markets for the American farmer. This constant expansion and maintenance of our markets is considered by all as our primary objective.

Senator CLARK. Good, we appreciate it very much, and I like your recommendation that we not be hesitant to develop overseas markets. It is crucial not only to soybeans and American agriculture, but our whole balance of payments, and agriculture in general. This last year we had a little over $21 billion in exports. If we had had half that, this country could not have stood it in terms of our balance of payments. I visited the Soybean Association offices in Tokyo in January, where you are doing a tremendous job in terms of selling soybeans. I can tell you one of the worst things that has ever occurred in the last decade to American agriculture was the soybean embargo, because anyone in this country who doesn't realize the effect that has had on Japan and on their willingness to look to other markets isn't paying attention. Every Japanese leader I met with brought it up, and they made a point of it. Let me ask you one question, Ed. Do you think there should be a loan on soybeans in this emergency bill, or in the next farm bill?

Mr. SCHETTLER. I think so.

Senator CLARK. You think there should be?

Mr. SCHETTLER. Yes.

Senator CLARKE. Do you have any judgment on what you think that loan ought to be?

Mr. SCHETTLER. I think it should be in line with the cost of production, but not that high that it generates overproduction.

Senator CLARK. So you would say someplace around the cost of production?

Mr. SCHETTLER. I would say, yes.

Senator CLARK. Thank you.

Mr. SCHETTLER. Thank you, Senator.

Senator CLARK. I did want to say, incidentally, while the next witness comes up—Les Mitchell—I hope that if I mispronounce any of these names you will forgive me. This is Les Mitchell, he is from Akron, Iowa and he is a farmer. So you proceed in any way you think appropriate. I did want to announce that John Devereau is here from Senator Culver's staff, and he is over here at the table. When he gets through signing up witnesses, I hope he will join the panel here as well.

STATEMENT OF LES MITCHELL, AKRON, IOWA

Mr. MITCHELL. Thank you, Senator Clark, ladies and gentlemen. The opinions I express here are my own. I hope more farmers will agree with me as time goes on. I would like to say 15 years ago we had 15 million farmers. Today we have about 3 million left—a loss of 12 million people—and food costs to the consumer are at an all-time high. This is what some people call "efficiency." If these 12 million

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people were back on the farm, the national unemployment figure would be about 1 percent instead of 8 percent.

We have been encouraged to increase grain production for years, now, with a short crop and expenses at an all-time high and going higher, the Government lowers the boom by stopping our exports. After the statement Kenneth Frick of the USDA allegedly made, "A few farmers going bankrupt each year is a healthy thing," is proof of the attitude of some officials of our Government toward the American farmer.

When the grain embargo was put on some months ago, several of us farmers sent President Ford telegrams protesting this action, we all received a form letter saying this was necessary due to a short crop, but to rest assured that we would get all the fuel and fertilizer we need for a bumper crop next year. He neglected to say what we would have to pay for that fuel and fertilizer. We can get all the fuel and fertilizer we need if we want to pay the price. I think farmers are getting tired of paying the price but never getting the price. You hear the Government say "produce more"; I never hear them mention profits for the farmer. Seed corn companies, chemical companies, fertilizer companies, farm equipment manufacturers—everybody says "use our product and you'll produce more"—but after we do, nobody helps us get rid of it, unless we give it away.

Regarding grain and meat-price fluctuations, it has never been the fault of the farmer for prices increasing or decreasing. He always takes whatever he is given. With input costs what they are today, this is no longer acceptable.

Farmers have never been paid enough for their products on a steady level income basis. In agriculture, you need a dedicated group of people, which you have. But without the commodity manipulators, runaway price fixers on our input costs, machinery, equipment, et cetera. With all our modern technology, if you can't stabilize the farmer and agriculture, how do you expect to stabilize the rest of the economy and this Nation.

A grain farmer grows one crop a year, and if he sells on the high market, he gets paid once a year—then he waits 1 more year for another check. I'd like to see any other businessman or manufacturer try this. We don't have that daily volume or weekly check to evaluate or recalibrate our expenses and profits. It's a one-shot deal. If conglomerates take over, they'll have to have a profit. Do you think they'll settle for little or no profit?

When a farmer works more hours per day than any factory laborer and has more invested than the business owner in his community, don't you think he should get a fair profit for his time and investment?

Why are the big conglomerates getting into agriculture? The race is on—"Take over agriculture before the farmers do." When the Europeans pay 45 to 50 percent of their wages for food, it doesn't take much imagination to guess what is in store for the American consumer. I think we can stop the conglomerates in their tracks if we don't overproduce.

At this time, I am urging every farmer not to sell corn for less than $3 per bushel and beans for $8 at his local elevator, not Chicago. This is for the balance of the 1974 crop. I further urge farmers to cut all

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grain production 20 percent straight across the Nation, cancel all machinery and equipment purchases, compute their input costs and bargain for a fair profit for the 1975 crop year. I am also urging all livestock producers to cut their production. When this is done, maybe we can use the grain cutback as a lever to curb meat and dairy imports from foreign countries. We have to get our priorities in proper order. The American farmer and the American people come first.

It is my opinion that this country is being sold down the river—and the farmers are going to be the tool used to get the job done. When agriculture, the basic industry, is sold out, what will you have left?

It all starts with the farmer, let's not let it end there. Grain farmers' profits should be at least cost of production plus a 50-percent markup. No ceiling, no floor, no excuses.

Thank you, Senator Clark.

Senator CLARK. Thank you very much for a good statement. I was interested in your comment about Mr. Frick, the head of the ASCS office, referring to a fact that a certain number of farmers ought to go broke. In fact, it happened that that article appeared in the Des Moines Register, and Secretary Butz was before the Senate Agriculture Committee the day after it appeared, so I had copies made and distributed them to all of the committee. I asked Secretary Butz to comment on it and he refused to repudiate it, at any rate, he didn't talk very directly about it. I think one of the major points that you made, that I think should be expanded on, and perhaps not by me—we will have other witnesses—are the effect of the export controls. I spoke a moment ago about the embargo, to the effect of the embargo, but really the effect of the export controls themselves and what they have done to prices. I hope some other witnesses will talk about that as well. Thank you very much, Mr. Mitchell.

We are going to hear next from Gail Hemmingsen. He is a farmer from Plymouth County, Rural Route 3, Akron.

STATEMENT OF GAIL HEMMINGSEN, AKRON, IOWA

Mr. HEMMINGSEN. Thank you, Senator Clark, members of the press, and fellow farmers.

I am a grain farmer from Akron, Iowa, farming 760 acres. I have a wife, four sons—only one of which is engaged in farming—a modern dairy farm near Akron. I hire almost no help except at harvest-time as I use the Buffalo till system on row crops. I do not have great power requirements as I only have one big tractor—100 hp and one small 1954 model tractor. We own 240 acres and rent the rest.

At the time I started farming 28 years ago corn was $2.45 per bushel. I remember as I was buying—not selling that first year. I bought a new M tractor for $1,600, a mower for $170, a plow three-bottom for $210 and a two-row planter for $190 and a disc for $180. In other words, 653 bushels of corn for a new tractor—it's still running by the way with somewhere around 15,000 hours on it. That 653 bushels of corn today would about pay the interest on my 100 hp tractor for 1 year.

The newspapers and politicians tell us how much money we've made the past 2 or 3 years. And it's true some of us have had a good

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year or two. Much of it was made at the expense of other farmers. When calf producers were getting from $70 to $100 per hundred and making record profits they were setting the stage for record losses, with the $20–$25 price they are getting now. They made their profit off the feeder who in turn made money off the grain farmer who at that time was receiving in the neighborhood of $1 per bushel. The price we had been receiving since the end of the Korean war. Then in 1973 corn went to around $2 per bushel and everybody had a profit year. Then the oil embargo, the stilbesterol fiasco, the imports, grain embargoes, monitoring, consumer resistance, and price controls on beef all began to take their toll.

It is easy to understand why an undeveloped nation, facing starvation, might place an embargo on the export of foodstuffs to other countries. Such a step would seem just and necessary in order to reduce hunger at home. But for a rich trade-oriented country to do so, as a way of manipulating domestic food prices, seems not only unnecessary, unwise, and unfair, but counterproductive and downright callous.

An embargo or quasi-embargo against crop exports, such as U.S. restrictions on soybean exports in 1973, or the oft threatened and widely demanded—but never imposed—embargo on U.S. corn and wheat last year, can play havoc with crop marketing and consumption patterns. It creates a situation something like an auction of scarce commodities at which only one buyer—in this case the richest one—is allowed to bid on most of the lots. Lacking competition, the protected buyer can purchase what he desires at the price he wishes to pay. Others must scramble for what's left, and some—the poorest of course—go away emptyhanded.

Grain prices had hit $10–$12 on beans and around $4 on corn, fat cattle hit close to $60 before the roof fell in. First the cattle feeder got clobbered from every angle and is still staggering from all the blows.

He had to quit buying high-priced feeders and high-priced grain and protein and all the while our costs were skyrocketing.

We grain farmers can now see the handwriting on the wall as our prices come down and our costs keep rising. Fertilizer 400 percent in less than 3 years. Machinery about double in the same time, seed and chemicals about double. Iowa fuel 2½ times and on and on.

So hooray, we now have $2.50 corn, right where it was when I started 28 years ago. Who else in this United States—or the world for that matter—has to work for 1947 wages. As bad as that is, experts—I use the term loosely—want us to produce 6-plus billion bushels of corn this fall to feed the world. Yet everyone expects us to do this in face of fantastic costs and highly volatile markets and a guarantee that doesn't come close to giving us our cost of production much less a profit.

Are we being selfish to expect a profit for feeding the world? Just who the hell is going to feed the world when the American farmers finally say: "I've had it," and throws in the towel.

We had an involuntary 25-percent reduction in production in 1974 due to weather and prices still fell from $3.50 at early harvest to less than $2.50 this month. What would we be receiving today if we'd have had an average crop? Many believe that if we produce 6-plus billion

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bushels of corn in 1975 our price could well drop below $1.50 per bushel. I challenge anybody to produce corn at that figure.

Also it is generally felt that standards imposed on other meat-producing nations are less than those for domestic producers.

At U.S. ports, only about one-half of 1 percent of total shipments are subject to inspection and then only through a random-sampling operation.

It is not piece-by-piece inspection of the type given domestic meat, Melcher underscores, adding:

It is a sort of Russian roulette: maybe you survive, maybe you do not. In any event, a certain amount of manure, dirt, cysts, lesions, hair and other defects—minor, major and even critical—are allowed to come in and go into our hamburgers, sausage, wieners, and even cut meat supplies.

There have been conflicting reports on whether USDA plans an investigation into the reasons behind the higher rejection level at Hampton Roads and whether the criteria at other ports are lower.

It all may boil down to a semantical exercise, designed more to dampen public concern over a possible breakdown in the port inspection system.

Normal weather in 1975 could result in sharply lower corn and soybean prices. That prediction comes from Vernon R. McMinimy, Continental Grain Co., New York, N.Y.

Speaking at the recent 1975 University of Illinois Grain Dealers Conference, McMinimy predicts a 1975 corn crop of 6.5 bushels. This is an increase of 35 percent over estimated usage in the current crop year.

With a crop of that size, when livestock numbers are down, the 1975 crop price could readily drop to $1.50 per bushel, said McMinimy. And such a prospect has begun to cast a shadow over the price prospects of corn for the remainder of the 1974 crop year. It will become increasingly difficult for the market to move above recent price levels.

McMinimy pointed out that there are many unknowns from now to the harvest of the 1975 crop. Weather could be bad in 1975. The Russians could be big buyers again and crop production may well be below the level of the past two years in Europe. Fertilizer rates may be reduced and planted acreage may not exceed this year's level of 77-million acres.

"Some of these events may occur, but it seems quite unlikely that we will get a combination that would provide as tight a supply-demand situation for 1975–76 as we have had this year," said McMinimy. "At best, events could raise the new crop price prospects to $2.25, but that does not remove the bearish influence of the 1975 crop from current price prospects.

McMinimy also said the 1975 soybean crop—as in the case of corn—should be significantly larger than this year's. He predicted a crop of 1.5-billion bushels—an increase of 25 percent over 1974 production and 13 percent over 1975–75 usage.

A crop of this size should result in soybean prices in the area of $4 a bushel—possibly even $3.50, said McMinimy. And, in the case of corn, the possibility of ample, new-crop supplies creates a downward pressure on old-crow values.

Is there a solution? I think there is but it won't come from Washington. It has to come from us uniting for a common goal.

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Of course we're concerned for the world starving poor and for our American consumer who is also caught.

During all those years between the Korean war—and that's a way to prosperity we can do without—until 1973 corn prices ranged from about 90 cents to $1.25. We had a Government program of subsidies, supports, controls and what have you. Every time we've gotten these we accumulated surpluses which hung over our heads until we got into a war—1939 surpluses, 1949 surpluses started again and then again in the 1960's before Vietnam. Surpluses and poor markets. So please don't let us get back into that trap.

And why has it been a crime for farmers to make big political contributions, and I'm referring to the dairy funds. These were voluntary funds almost identical to the labor COPE. And labor really poured it in in the last election and I am not naive enough to believe they did it without expecting something in return. Yet no one has so much as even said it was a no-no. The AMA money would put ours to shame. Nobody says a word. (Now I would like to know how much Cargill and Continental poured in) or do they just furnish the Agriculture Secretary.

The solutions mostly lie in self help programs. I think we as farmers must not produce the 6.5 billion bushel corn goal. We must cut production 20 percent and we must reduce imports. I recommend:

1. Cut fertilizer up to 50 per cent.
2. Reduce plant population.
3. Reduce tillage to save moisture, fuel, and our soil.
4. Cancel all planned new machinery orders until we receive fair prices for our present crop.

These are things we must do ourselves. Now we must ask you the Government to not hinder us from these goals. Let's clear the export market of all threats of embargoes and monitoring. Let's stop all imports of foreign subsidized imports and make the remaining ones meet all our inspection requirements. Let's reinstate funds for soil conservation, terracing, water holding systems and trees. Let's see that the consumer profits when we have a down market and doesn't get gouged when we have an up market. Let's stop the packers and grain companies from taking over livestock and food production. Make them stay in processing and let us produce with fair competition. Maybe then we can stop exporting farmers to the labor market and serve the country and world consumers.

We are not seeking a confrontation with anyone, but are only asking for a strong agriculture. We sympathize with the needy and the unemployed. If we make a reasonable profit for our labor and our risks the country will be amazed at how fast we will head for the market place to spend it. The quickest end to our present economic problems is a prosperous agriculture. Let's all stick together and I know we can do it.

Thank you, Senator Clark.

Senator CLARK. That is a good statement. That is an excellent statement. We are particularly glad to have your statistics on your 28 years of experience. Did you say corn was at $2.48 or $2.40?

Mr. HEMMINGSEN. $2.45. I don't think there was a time it got over two and a half in our area.

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Senator CLARK. Your list of disasters was about as long as I have heard. The only one you left off that I didn't hear was American Beef, but otherwise it was very complete. But it is a very comprehensive statement. I was particularly interested in your comments about the connection between the major grain companies and the Department of Agriculture. And you may know that about a week ago I asked the General Accounting Office, which is the chief investigative arm of the Congress, to go back over the last several years and look at personnel in the Department of Agriculture, and where they came from in relation to the grain companies, and where they have gone to. And we should have that report in the next few months. They are going to go back through all of the appointed employees of the Department. We know from our own experience that Secretary Butz came from a board of one of the major grain companies, the major single grain company. We know Mr. Hardin, who was Secretary of Agriculture, left the Secretary's position to go to work for the same company. We know Mr. Palmy, who was Assistant Secretary of Agriculture, had a great deal to do with the sale of the Soviet grain, and he left immediately following that sale and went to work for Continental Grain Co., who was very much involved in the Soviet sale. We know Mr. Shangler, who is in charge of the monitoring system, is out of one of the major grain companies. That doesn't tell the whole story though, we need to know others that are involved before we make further kinds of accusations.

Mr. HEMMINGSEN. I think that is a very good investigation.

Senator CLARK. I think it can't be a healthy situation when you realize our policies—agricultural policies—have such an immediate and direct effect on the grain companies themselves; and that kind of musical chairs back and forth, I can't believe is in the best interest of American agriculture.

Mr. HEMMINGSEN. Most of the time it has been in the interest of the companies. But that is just my opinion.

Senator CLARK. Thank you very much. Most of the witnesses here today are not people whom I have met previously, but the next witness is Glenn Gregg from Hawarden, a feeder and president of the Sioux County Cattle Feeders. We've had the pleasure of working with Glenn on a number of occasions. I've stayed overnight on his farm, and we've always found him to be both very reasonable and very knowledgeable with regard to the problems of American agriculture and beef in particular. We welcome you here, Glenn.

STATEMENT OF GLENN GREGG, PRESIDENT, SIOUX COUNTY CATTLE FEEDERS ASSOCIATION, HAWARDEN, IOWA

Mr. GREGG. Thank you, Senator. I am representing the Sioux County Cattle Feeders Association and we might have a few different ideas as far as the input, as far as the corn prices and the availability of corn in the years to come, because corn is our No. 1 raw material to feed our cattle. We are smart enough to know what $1 corn will give us; it will encourage commercialization down in Texas. Cheap corn has never been conducive to good cattle markets.

We're certainly not in favor of cheap corn. We found out last year how we're hurting; that the cattle industry cannot survive as we have as such with $4 corn. When you have $4 corn, your cattle will go then directly from the ranchlands to the consumer, bypassing the feeding industry. Consequently we feel that there has to be some happy medium. We're real concerned about the corn price. Certainly I think that we might even be more concerned about the corn price than maybe the corn farmers are about the cattle prices of the last few years. We're real enthused about producing enough corn so that our balance of trade may be affected favorably by exporting corn. We certainly think this is conducive to the corn farmers as well as our Government as a whole. So we would like to think that maybe when we get to the point when we're talking about cutting corn production, maybe by plowing up corn we hurt 20 percent cutback; we really feel like a hog feeder would feel, that the most practical way to do it and possibly maybe even the most patriotic is to tell these chemical companies, you either bring that price down on your chemicals or we're not going to put any fertilizer on at all. I think you guys could really get cooperation amongst yourselves. We're real enthused and we're real pleased to see the cooperation being exhibited in the corn industry, and by the corn growers. Cattlemen would like to organize like this. Whenever we can control our production we can ensure ourselves of a fair and equitable price. The cattle industry hasn't been able to do that and what we've seen so far this spring, we feel that corn producers can, and we're 100 percent in favor of that.

I would like to talk just a little bit about the livestock industry, if I can, Dick, because this is what we are concerned about up there. There's a lot of things that haven't been going right, and we won't go into those, certainly. I have been into Washington many, many times, and we have talked to you about our packer bonding, we have talked to the Senator about reinsurance possibilities, whereby we can get blizzard coverage to cover losses like those which were incurred in January.

Imports seem to be an age-old problem with the livestock producers. Now, I feel that the cattle industry is just on the verge of working themselves out of an overproduction situation whereby our prices are going to show us some profits; maybe for about 4 or 5 more months, but we have been having this overlying thing hanging over our heads about Australian and New Zealand imports. We read about in the papers just the other day that the State Department is putting pressure on the President to encourage unlimited Australian imports. How can a government think that they can continue encouraging the incentives necessary for a cattle feeder when we have this possibility of getting the markets up to where we can get a fair price? We have got to enlist the aid of our Government officials to keep our imports limited at a level whereby we can survive.

You know, we talk about the cheap, cheap food, and we have always produced food at reasonable prices, maybe for a few months things got a little bit out of line, but it didn't take long for the Government to help us get it down. And we're producing a pretty economical product now, and we don't feel that the American consumer should be subjected to imported beef—especially when it's not even identified at the retail markets. The American consumer is doing us a real good

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job, we're real proud of her for the amount of meat she's buying. But she's getting about as much nonfed beef as she is fed beef. We feel that it might well be a good possibility to have those identified for her convenience.

We have also discussed with you about the Merchantile Exchange, and what good it really does us. And in our response on our Washington trips, they set up a committee that is going to start overseeing the Merchantile Exchange and keep them from getting too many contracts in too few hands in the Merchantile Exchange. And we appreciate the efforts you have extended at that level.

Several days ago, at the stockholders meeting at IBP, it was announced that IBP was going to go into the cattle-feeding business. Last night we heard a little further explanation about it on some of the local TV stations. They are coming to our rescue finally. They say they are going to add an impetus to the cattle-feeding industry by feeding our cattle for us. By golly, I'll tell you—this is awful hard to understand. Where was Iowa Beef when we were making our trips to Washington, trying to get imports shut off, trying to make this industry survive? We didn't hear anything about them then, nor did we see any advertisements put on TV to eat more beef, or the advantages of beef, and the diet of the American consumer. We feel that they are now in a position to take advantage of some of the damage that has been done in the livestock industry—and we're going to stand up and fight for individual ownership of cattle industries here in northwest Iowa. We need the cooperation of all you guys—

We want to maintain control of our cattle. We don't want Iowa Beef to get 2 percent of their kill. If they bring that 2 percent in, in 3 or 4 days during the year it is going to affect our markets. They are going to be in a position to manipulate the market, whether they say they are going to or not. So we are going to stand up and fight for this individualism. We want to keep this in our industry. I believe that is all I have to say, Dick, thank you very much.

Senator CLARK. It is an excellent statement, and I want to share your view, and express my support for the idea that it is in the interest of the American agriculture for the beef producer and the American consumer to not have further kinds of vertical integration in the beef industry, by whatever group it is or whatever company it is. It is simply not in the best interest. And I am particularly happy that you mentioned at least in passing the disastrous effects of the beef freeze, and I hope we have learned enough from that. On question I wanted to ask you, how far away are you Glenn?

Mr. GREGG. Right here.

Senator CLARK. Do you know what beef prices are here right now?

Mr. GREGG. Thirty-five—$35 per hundredweight.

Senator CLARK. Thirty-five.

Mr. GREGG. Fifty-six in the beef—$56 per hundredweight. Now, that is improved over what it was 3 weeks ago—substantially. We have had a real constructive cattle on feed report just yesterday, and a lot of us are real optimistic in thinking we can turn this thing around. We realize the world is oversupplied with beef. The western ranches have cattle running all over the place. We haven't worked out of it yet, but for right now, until maybe next August—maybe until next December—we feel that there are prices in the offing that can make back some of our losses. But we also feel our prices are very vulnerable to the shiploads of beef from Australia, and we are real

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concerned about that. Even if we could get these shipments on a monthly quota basis, rather than have it at a variable, for them to ship all of their beef in in one particular quarter. I think we talked about that on our last trip to Washington. I am really optimistic—maybe overoptimistic—I have been in the past—but I really feel some of the guys that have sustained such losses in the past 18 months are in a position to get some of that back.

Senator CLARK. We appreciate your optimism. Don't take off your lifejacket yet.

Our next witness is Paul Ehmcke, a farmer from Granville, Iowa.

STATEMENT OF PAUL EHMCKE, GRANVILLE, IOWA

Mr. EHMCKE. When I came down here this morning, I didn't have any idea that I was going to talk to you. I was just behind Les and Gail coming in the door, and they said: "Do you want to testify?" and I decided I did.

Senator CLARK. Good.

Mr. EHMCKE. I don't have a written statement here, I am just talking straight from the gut. Is that the term that's used? I am not a farmer that has been on television. Though Glenn has helped us quite a bit, I haven't done a lot of television and running around. I haven't gone to a lot of meetings. I haven't been to Washington, but I do talk to the fellows that come back. But I have been to farmer meetings. These grassroot meetings. We had one last night at Peterson, and I got enthused. We are going to have a meeting at Paullina, Iowa, Monday night, March 17th.

Senator CLARK. Paullina?

Mr. EHMCKE. Paullina. At the library, and we sure would like to have as many farmers that can make it up there show up. We had a real turnout at Peterson. I don't know if we were together on all of the issues, but the thing was that they showed up without any formal organization. And a lot of people don't think that that can be done.

Senator CLARK. What kind of things did you talk about there?

Mr. EHMCKE. We talked about—I believe I have a list here. I didn't have a written statement. This is something they passed out up there. And this follows along the lines of what Les and Gail started. Bob Donahue will be a later witness, and he's the one that kind of got that going over at Peterson. And they had a meeting of what we wanted to do, and they were advocating reduction in any agricultural commodity that was in excess supply. And while we didn't—now, this had to do mainly with corn, sorghum, oats, soybeans, beef, and pork. That seems to be what is important in this part of the country. And we had some arbitrary target prices and loan prices that was on this sheet, too. The fellows couldn't agree with them or disagree with them, cross them out, and put in what they thought.

Also, on this sheet if they would voluntarily cut production 10, 15, 20 percent, and circle it and write on the bottom: "I don't believe it's going to work," or whatever they felt. I think it's real important they did come out and do come out at this Paullina meeting. There is going to be a big statewide meeting down in the Ames coliseum. I believe this is real important we fill up that coliseum. We would like to get the Congress down there, and Agriculture Committees and Secretary of Agriculture. We want them to believe that we are going to do something with or without you.

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From what I have talked to my neighbors, there is quite a bit of distrust of what you guys are down there for. And I can understand you're in a bind, you have consumers. Of course, I'm a consumer as well as producer, but you have—in reference to your constituents in the State of Iowa—more people that are interested in low price for food products than in what I might call fair prices—which would allow some profit after expense.

And, OK, if we can convince you guys to take and do something after you leave here today, you are only 1 out of 100 Senators down there. Now, there's a few other farm States, farm Senators down there from farm States, agricultural areas, and of course they're varied interests, too. Some are cotton, they seem to get together better than the feed grain States. You are such a small part down there that we don't know if you can really do anything for us.

Senator CLARK. Can you tell me the results as to how the questionnaires were answered?

Mr. EHMCKE. I'll let you know what happened. I will let you know Monday. I believe Bob has the results.

Senator CLARK. Good. We will be very interested in seeing them.

Mr. EHMCKE. I think it's real important that our farmers do turn out at these grassroots meetings. I should say I hope we can do something on our own. We are not going to have Uncle Sam take us by the hand, because I've been down the road with Uncle Sam the last 2 years. And I fed cattle—I'm not feeding them any more. We have seen this high-priced grain you buy from northwest Iowa here. You know why it's high priced? We've got half a crop. And now we're seeing that our half a crop is worth half of what it was last fall. If we would have got our price, or price like we were receiving last fall, we would have been all right on our grain crop.

This livestock situation is tied directly into the grain situation, the supply and demand. It's the only honest way, supply-and-demand situation—in the United States, I believe; simply because we are the only ones in it. We realize we can't say: "Kick the Government out of farming." You hear a lot of this—"Get that darned Government out of it." But as long as you have the President who can let this Australian beef come in, I believe one of the boys at the meeting last night said at 20 cents a pound delivered here, we can't compete against that.

And consumers in this Nation fail to realize that they have the most wholesome, most plentiful, and relatively cheapest food on this planet. And that is worth something. And I think they have to get this across to the American consumers that we are worth protecting. I believe that's all I have to say.

Senator CLARK. I think the last sentence in particular is an important one, because the one thing, all too often in this country, we don't understand is the interdependency of both the consumer and the farmer.

We ought to have learned from this last experience with the beef freeze, for example, that if you don't have a healthy agricultural situation, it's not good for the consumer, either.

Maybe, in the narrow interest, they may think it is but in the long interest it isn't.

If you have a driving, healthy American agriculture, you are bound to have the kind of production and stability in pricing that is good for the consumer as well. Thank you very much.

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Mr. EHMCKE. Thank you very much, Senator Clark.
[The following article was submitted by Paul Ehmcke:]

THE DOLLARS & CENTS OF FARMING . . .

AT TODAY'S PRODUCTION LEVELS, WE WILL HAVE OVER A BILLION BUSHELS OF SURPLUS CORN AT THE END OF THE 1975 HARVEST!

WHERE DO WE GO FROM HERE?

Concerned Grass Roots Farmers made the following resolution during a mass farmer meeting in Ames Thursday, March 20, 1975.

Resolution: Due to the present economic outlook, concerned grass roots farmers recommended the following: 1. Set aside 10% or more of your total 1975 intended corn and soybean acres. Example: a farmer with 100 total acres of corn and soybeans shall set aside 10 acres or more.

2. These set aside acres should be used for: (a) a conservation practice (b) green manure (c) oats for hay.

WHAT EFFECT WILL THIS HAVE ON 1975 PRICES?

GRAIN TRADE'S COMPUTER ANALYSIS FOR HARVEST 1975

(CHICAGO BASIS)

Production	Corn	Soybeans
Full 1975	1.75	4.00
5 percent cutback	2.00	4.50
10 percent cutback	2.75	5.10
20 percent cutback	3.50 to 3.75	7.00

Note: The above figures supplied by the Iowa Grain & Livestock Consulting Firm, Des Moines, Iowa.

THE LANDLORD'S APPROACH

1. The landlord pays half of crop expense.
2. The landlord receives half of crop.
3. The landlord expects about 100 bushel yield per acre.

Landlord's expenses for corn

Fertilizer	$40÷2=$20
Seed	14÷2= 7
Herbicides	12÷2= 6
Insecticides	4÷2= 2
Per acre corn cost	35

Landlord's expenses for seeding oats as "green manure"

Seeding oats	$14÷2=$7

Return on out-of-corn production acres with oats hay bales

50 bales per acre×50¢ each=$25.00	$25.00÷2=$12.50
Plus nitrogen put in the soil from legume planting	20.00÷2= 10.00
Gross return	22.50
Minus seed cost	7.00

Landlord gain $15.50 per acre.

Example 1.—Of costs under full corn production

$1.50×100÷2	$75
Expense per acre	35
Return to landlord per acre	40
$40×100 acres	4,000

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Example 2.—Now with 10 percent reduction in corn if all participate

$2.50×100÷2	$125
Expenses	35
Per acre return	90
Corn (90 acres)×90	8,100
Green manure acres (10)×15	150
Return on 100 acres	8,250

Example 3.—10 percent reduction in corn if half participate

$2×100÷2	$100
Expenses	35
Per acre	65
90 acres×$65	5,850
10 acres (green manure)×$15	150
Return per 100 acres	6.000

Example 4.—10 percent reduction (with insufficient participation)

$1.50×$40 per acre	$3,600
Green manure (10 acres×$15 per acre)	150
Landlord return on 100 acres	3,750

On 100 acres, the landlord risks $250 on the chance that (1) prices are good in the fall and (2) he can maintain the value of his investment in land. This represents a $2.50 per acre risk.

To the corn farmers:

Production costs on 1 acre of corn:	
Land preparation	$23
Fertilizer	40
Seed	14
Chemicals	12
Harvesting	14
Labor	12
Insurance, phone, miscellaneous	7
Land cost (cash rent or interest on investment plus taxes)	100
Per acre	222

At expected cheap corn prices, the average northwest Iowa farmer will lose about $75 per acre of corn he produces.

To the livestock producer:

Cheap corn hurts the cattleman as well:	
Cost of production 1 acre of corn	$225
Return per acre (100 bu.×$1.50)	150
Loss of each acre of corn produced	75
Cattleman's loss on 200 acres of corn	15,000
Cattleman's profit on 400 cattle ($37.50 profit per head)	15,000
Cattleman's net profit	00
Pork producer's loss on 200 acres of corn	15,000
Pork producer's profit on 1,000 hogs ($15 profit per head)	15,000
Pork producer's net profit	00

How will you compete with Southwestern feedlots and confinement houses that produce no corn for a loss?

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AND . . . WILL YOUR BANKER LOAN YOU MONEY WITH THESE PROJECTED CONDITIONS? ? ?

Farming is everybody's business! Attend the Western Corn Belt State's Regional Meeting at Sioux City Auditorium Thurs., April 10—1:30 p.m. If you want to help or are interested in hosting a "Grass Roots" meeting, please contact Paul Ehmcke 448-3882 or Gale Hemmingsen 568-2544.

Senator CLARK. The next witness is Ben Nannan, of Pierson, Iowa, Woodbury County farmer.

And also a member of the Iowa Farm Bureau Federation.

STATEMENT OF BEN NANNAN, MEMBER, BOARD OF DIRECTORS, IOWA FARM BUREAU FEDERATION, PIERSON, IOWA

Mr. NANNAN. Thank you, Senator for this opportunity.

My name is Ben Nannan. I operate a 500-acre farm in Woodbury County. My farming operation includes corn and soybean production, hogs and a cow-calf herd. I am also a member of the board of directors of the Iowa Farm Bureau Federation. My testimony here today is on behalf of that organization.

The farmers of Iowa are gravely concerned about the misconception that there is a real danger of food shortage in this country. Barring unprecedented adverse weather conditions or extremely foolish Government policies—we are convinced no such danger exists. With reasonably good weather conditions and reasonably judicious Government decisions, we can also meet the needs of other countries who have purchasing ability. Under even the very best of circumstances, there is no possibility that the United States can accept responsibility for feeding the world hungry as much as we wish this were economically and physically possible.

Laboring under what we consider to be fallacious concepts, the U.S. Government has taken several very unwise and harmful steps. These began with the price freeze on beef, the effects of which are still with us. At that time economists and Government statisticians were proclaiming beef shortages, indicating that there was no possibility of being able to produce enough beef for effective demand. Evidence of the grossness of their error has been with us ever since. Undaunted, these same self-styled consumer advocates and Government statisticians have continued to proclaim shortages. The bakers association at one time panicked and predicted bread at $1 per loaf because of a fancied wheat shortage. Surveys triggered by this ridiculous statement indicated greater amounts of wheat in producers' hands than anyone knew about.

More recently, the Government canceled legitimate contracts with foreign buyers for soybeans, wheat and feed grains. This was not only unnecessary, but unethical. As a result, these countries began to seek other, more dependable, sources of supply. In addition those cancellations have now justified retaliatory cancellations of the remaining contracts, which we were prepared to fill.

Worse yet, these same people continue to predict shortages even though grain and soybean prices have declined from 30 to 40 percent since harvest. They urged increased production, and building Government reserves without any supporting evidence of need.

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Last week the President did belatedly remove the prior approval requirement on exports, but maintained monitoring requirements which will still discourage exports to some degree.

Farmers are very concerned. Thousands have gathered in meetings throughout the Midwest spontaneously to consider reducing production of feed grains and soybeans. They feel they have little alternative but to take the matter in their own hands. We are very pleased that apparently farmers recognize that the only possible solution is to begin rebuilding market channels. We believe they are also nearly unanimous in their opposition to the Government going back into the grain storage business. Government stocks cannot and will not be insulated from the market. When prices rise, political pressure will cause stocks to be released.

Farmers have indicated they do not expect the Government to guarantee them a profit, but some farmers have asked that the Government guarantee the cost of production since the Government is not actively seeking increased exports and is asking the farmers to produce. In our opinion, such a request on the part of producers would be justified, but harmful.

Guarantees of the cost of production would, in our opinion, stimulate production to the degree that it will again, by necessity, force Government to accumulate excessive stocks. Farmers cannot afford this artificially stimulated production. Guarantees at the cost of production may actually be at the injurious level to farmers. If production is stimulated, then the price is likely to ride on that floor. Agriculture cannot be prosperous and make its maximum contribution producing at the cost of production, and the Government should not take actions which will lead to these results.

We recommend:

1. That Government loans on soybeans and corn be recourse loans rather than nonrecourse. Recourse loans are the only way, in our opinion, to avoid Government accumulation of stocks. If understood, they are not a stimulant to production, but will provide farmers with adequate capital to provide for a national reserve on farms in the hands of farmers and permit farmers to market in an orderly fashion.

2. Government should resume its efforts to facilitate markets abroad. It will take several years to repair the damage that has already been done.

3. Government should develop a standby set-aside program for implementation when and if it becomes apparent that we are returning to oversupply.

4. Target prices should be eliminated. Target prices are only production payments. They are an incentive to produce, but, at the same time, hide their stimulating effects until the matter is serious.

5. Government must make available adequate supply of fuel, fertilizer and other inputs so that farmers can produce. At the same time, we feel farmers must conserve in every possible way because it is obvious that these shortages are very real.

Lastly, Government planning must be on the basis of permitting farmers to have profitable prices. The tremendous increase in farm costs and the resulting requirements for capital make reasonable profit absolutely necessary for agriculture to continue healthy and be able to meet the needs.

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If the pitfalls I have mentioned are avoided and if Government adopts positive programs, we feel certain the farmers of America can and will continue to produce plentiful supplies of food and fiber at reasonable prices for the American consumer and, in addition, will produce sizable supplies for sale to other countries. Obviously substantial sales of agricultural products are necessary to achieve even a reasonable balance of payments. Furthermore, we believe the policies I have outlined are the best guarantee that we will be able to do whatever is practical and feasible to help those nations with the starving millions.

We appreciate this opportunity to present our views. Thank you, Senator.

Senator CLARK. Thank you very much. If I could summarize your testimony very briefly, so I am sure I understand your position. I have met a number of times with the members of the Farm Bureau, and your national president testified before this committee, as have others from Iowa. Briefly put, it is that you would do away with the target price system, replace the nonrecourse loan with the recourse loan. if the recourse loan is maintained, you would try to keep that well below the cost of production?

Mr. NANNAN. Yes.

Senator CLARK. If that were maintained. or even if the nonrecourse loan was maintained I should say, you could keep it below the cost. And you would favor a set-aside program if and when that became necessary. As I said, we have met a number of times. There are two positions in particular the county leaders of the Farm Bureau talked to us in Washington last week about, and I think these are important. One is the tax loss farming to try to eliminate that, and secondly an increase in the estate tax deduction, which is now $50,000, is about all you can have under the present law. That has been in existence since the late 1930's. In fact, I am a cosponsor of a bill that would increase that to $200,000. I think obviously since inflation, what it is since the late 1930's, such an increase would be important.

Mr. NANNAN. We appreciate your efforts.

Senator CLARK. Thank you. The next witnesses are Mr. and Mrs. Riemenschneider.

Come right up, please. You are from Kingsley, and you are a farmer?

STATEMENT OF R. A. RIEMENSCHNEIDER, KINGSLEY, IOWA

Mr. RIEMENSCHNEIDER. Yes, I am from Kingsley and a farmer. I am past-treasurer of the county pork association, and I kind of believe in self-helping. And the pork association, as every beef association, the pork association has spent a lot of money to build up this export bill. I don't think this was quite right. I don't think one man should have the power to do this. Naturally, we are self-helping our own cause. Another thing I would like to know, I am not singling you out alone, why are we giving money to Cambodia and Vietnam to save them? I think if they are hungry, we should give them our processed food to get it, instead of giving them money and having them go to some other country to buy our food. I think we should give them our food and keep our money at home. I am not singling you out again,

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Dick, but we look for Congress to be the leader in this economy. They wanted us to economize and save energy, and still Congress voted themselves a $10,000-a-year raise.

Senator CLARK. When was that?

Mr. RIEMENSCHNEIDER. Just in the last year, 2 years ago.

Senator CLARK. No, the last raise was—somebody correct me if they have got the right figures—was 1969.

Mr. RIEMENSCHNEIDER. 1969?

Senator CLARK. There has been a lot of discussion of it, but none has ever passed.

Mr. RIEMENSCHNEIDER. I listened to Paul Harvey yesterday, and he gave some statistics. He says maintaining your salary you use $1.3 million. I think this is outrageous. I think this is outrageous, and I think you should be able to give the people more leadership. I don't mean just you, Dick, I mean the whole Congress.

Senator CLARK. I understand.

Mr. RIEMENSCHNEIDER. That is just about all I have to say, and I think the farmer should begin to think about helping himself. And I think the beef association is going to have to learn—maybe the people are going to have more grass-fed beef than we have been used to, because it is not too bad. I have traveled a little, Australia, New Zealand, both islands last year. And they feed their beef very little corn, maybe 10 percent the last 10 days. And that beef is not too bad. I ate it and thought it was pretty good. South America, I came back a week ago. These countries produce their beef on grass, which is very good—maybe a little tougher than our beef, but if we are as short on food as they claim we are, I think we are going to have to go in with more roughage of these cattle, to make it go so there will be more corn and grain to be processed for these starving nations.

Senator CLARK. Thank you.

Mr. RIEMENSCHNEIDER. Thank you.

Senator CLARK. I might just say, like on the first comment, I am opposed to further military assistance to Cambodia or South Vietnam.

Because this hearing must end at about 3 o'clock, I thought we would go straight through. I am not sure we can stand it straight through. You may want to take a break at some point. We will not stop for lunch. I do want to state that the Herbolds are serving lunch in the coffee shop. I do also want to put in the record at this point the study which was just given to me yesterday from the Iowa State University in which they have gone into some detail. Any of you are welcome to come up and take a look at this. I have one extra copy that we can make available. It goes into the question of estimated corn production costs for 1975. And of course the variable is the yield and the land value, per acre, so if some of you would like to look at this, let me just discuss the highlights of it. If you assume a land value of $900 an acre, and a corn yield of 110 bushels, you come out with a cost of production of $1.97 per bushel. If you assume $1,200 an acre farm at 125 bushels per acre, it comes out at exactly $2.00 per bushel. If you have a land value of $700, and a corn yield of 95, you get $1.91. So what this says is, according to Iowa State University, the estimated corn production cost is the three examples they use, ranging from $1.91 a bushel to $2.00 a bushel. They have similar costs for soybeans,

which come out with the same—with roughly the same kind of land price and yield, at $4.51 per bushel to $4.70 per bushel. We will make that a part of the record at this point. So anyone that would want to look at it, please feel free to come up and get it.

[The above-referred-to material follows:]

ESTIMATED CORN AND SOYBEAN PRODUCTION COSTS FOR IOWA—1975

[Properade by Extension Economists at Iowa State University, March 1975]

ESTIMATED CORN PRODUCTION COSTS—IOWA—1975

	Yield and land value assumptions		
Corn yield, bushel per acre	110	125	95
Land value per acre	$900	$1,200	$700
Costs:			
Growing costs	18.60	18.60	18.60
Harvesting	12.40	12.70	12.15
Drying costs	11.00	12.50	9.50
Storage (4 cents per bushel)	4.40	5.00	3.80
Seed	13.00	14.00	12.00
Fertilizer and lime [1]	49.80	53.40	37.20
Herbicide and insectiicde	13.50	14.50	12.00
Labor	15.60	16.40	14.80
Overhead	6.00	7.00	5.00
Land charge	72.00	96.00	56.00
Total cost per acre	216.30	250.10	181.05
Cost per bushel	1.97	2.00	1.91

[1] N at 18, cents P_2O_5 at 26, cents K at 10 cents per pound.

ESTIMATED SOYBEAN PRODUCTION COSTS—IOWA—1975

	Yield and land value assumptions		
Soybean yield, bushel per acre	35	40	30
Land value per acre	$900	$1,200	$700
Costs:			
Growing costs	16.80	16.80	16.80
Harvesting	8.55	8.65	8.45
Storage (4 cents per bushel)	1.40	1.60	1.20
Seed	11.00	11.00	11.00
Fertilizer and lime [1]	17.40	21.00	17.40
Herbicides	11.00	11.00	11.00
Labor	11.60	12.00	11.20
Hand weeding	3.00	3.00	3.00
Overhead	5.00	5.00	5.00
Land charge	72.00	96.00	56.00
Total cost per acre	157.75	186.05	141.05
Cost per bushel	4.51	4.65	4.70

[1] National at 18 cents, P_2O_5 at 26 cents, K at 10 cents per pound.

Senator CLARK. The next witness is Lin Heiller. Lin has been a frequent visitor in Washington on behalf of the beef producers, and so we are glad to have his testimony.

STATEMENT OF LIN HEILLER, MELVIN, IOWA

Mr. HEILLER. I think today you all know that we have meetings in Minnesota, Nebraska, Missouri, Illinois, Indiana, and South Dakota. Now, tomorrow, I just heard on the radio coming down, I believe Senator Humphrey and Nolan from Minnesota are meeting. Now if

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there wasn't a seriousness in this grain situation I don't think you would be having all of these meetings. If you want me to say what I think the base price should be, I don't know. Cattle feeders, it should be 50 cents, to the grain farmer, it should be $3, so I think we are going to have to draw a medium in here somewhere that makes sense. Now, you can't produce and break even too long, everybody knows that. And I think maybe a lot of people have like $2.45 break even on corn, and I think if they take everything into consideration, that is pretty close. Maybe $1.99-$2.29. Now, I will go on to a few things I think we ought to draw your attention to. If you take a West Point officer, the first thing he does when he goes to the battle, he always thinks of the strength of his enemy and where he is. So I want to look at kind of the point of that right now.

You know we've got on our side—last year we had three of you in South Sioux City—Mr. Butz. And when he said the cattlemen were complaining about the price of cattle, and he said, well—this isn't exactly what he said now. What he said, that farmers got the corn in the ground, they've got too many acres planted, or a lot of acres planted. You have to realize, you are going to have real cheap feed, and there's nothing they can do, they've got it in the ground. He was really looking out for somebody.

Now we go to this deal—and birds of a feather always flock together—I always say. You've got Butz, Connolly, Mitchell; remember when Agnew was getting free groceries from the chainstores? Just think once of your competitors; just think what is fluctuating this market. Sure, they've got rid of Nixon, but the Cabinet stayed in there.

Now, I'll tell you a little story, and it's a true story. We went to Denver to a cattle meeting, and there was a group of Texas cattlemen—the biggest State in the country. Somewhere along the line, when I think Connolly was involved with the milk boys talking $1 million, there must have been nine cattlemen there, or seven, I don't know. But anyhow, the vote was one vote that they didn't give the million dollars. And where I come in the deal, I was sitting between two cattlemen—one voted for it, and one against it. The one that voted to give him the money—I'm not saying give them cash to Connolly—he was real mad against the one that voted not to give him the million dollars. All I want to get at, is look at who you are fighting, and know what is going on.

I often wondered if you look at the USDA on the side of the foreign markets, or on the side of the farmers here—which side are they on? I heard on the radio coming down today that the Japanese just backed out on a whole slug of feed grain. Seemed to me they ordered it when it hits high, and when it's down they back out.

I think our farm bloc, if we get told all the time we can't get nothing through Congress, I think we are going to see the day when that turns around. Because the farmer and consumer are getting a little closer all the time. And I think this is one thing, if we could convince this consumer, and Congressman Rosenthal, that the farm situation isn't helping the price to the consumer, not one bit. You remember at the world hunger—or world food—meeting in Rome, if you notice, we're not allowed to make a commitment out in the open. I think Butz and Ford said it was going to raise because of inflation, but if you will,

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that same amount of grain is going to be given. The reason was that if they had announced that there, which I think Senator Clark tried to do. if they had said every farmer that had a bushel of grain to sell would have knew it. This way they do it secretly, sneaking around. Let their friends know what's going to happen, and this really helps.

We got to talk about FHA loans a little bit. I think that is quite a joke. We had three disasters in our country; first a drought, then they had emergency livestock loans, and then we had the blizzard. And I think it's actually a big joke. Really, to qualify good, you had to feed about ten steers and own a section of class 1 lands, and that would have made you a pretty good loan. I think freezes, and I think price supports are generally—I don't think many people want it. But remember when the Department of Agriculture and Secretary Butz kept a freeze on top when corn gets too high—to $4, they break it down—or beef gets high, and pork gets high, they break it down.

Did you ever stop to think when they cry about world hunger—I wonder if there is world hunger. If they give farmers the time to go out and produce at 10 percent plus costs, did you ever think of it? Think of the pile of food farmers could pile up.

On this grass-fed cattle. You see somebody every week talking about this Monday in Texas; in one city alone, 1,600 carcasses were rejected. These were grass-fed carcasses. Why, this grass-fattened cattle went over so big, the chainstores pushed this grass-fed cattle. And sure they could spend a lot of money getting people like Arthur Simon to come out and say "Don't eat beef, it's bad." You can rest assured Arthur Simon has been straightened out on this issue. They got Choice price for a lot of grass-fed beef.

Another thing, we have got to watch out for, be real careful, the groups you are pushing with and working with, be sure they are fighting for you. I think there is a lot of things changing. Just in our Iowa Cattlemen's Association, what cattlefeeders want to do here is changed an awful lot by the time Bill McMillan gets around to the Senators in Washington. There are just little adjustments, they're not bad. This is a real good deal, and we're paying his wages. We already mentioned stop aid to Cambodia and Vietnam. I think this is a very good deal. I have lived over there. I think it's bad. It's time to get out of there once and for all.

Another thing you want to remember when you talk about energy crises—the wrapper that bread is put in takes more natural gas to make than the fertilizer to raise the wheat. Just think that over when they are crying energy.

And summing it up, I think as you have these meetings, and we need them, don't just stop with the meetings. Something has to be done. Now, like for example, we have got to somehow get this control of this trading out of the Secretary of Agriculture, somehow out of that Department. I don't know how we can do it.

At the present, Congress has passed some good laws, but when they are implemented, they get changed around so much that you can't recognize them.

I think we have got to get something going. I think at the present time our Congressmen and Senators from Iowa are probably the finest in the Nation, and I think you should be writing them more also. Get more involved. And on this consumer situation, about 2 years ago

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Congressman Rosenthal would hardly talk to a farmer. today he loves to talk to a midwestern farmer, because he's got a lot of people griping about this food cost.

Another thing. on your grain. Did you ever stop to think on getting rid of this grain—your price of grain? This price fixing the chainstore has is estimated at $10 dollars a hundred. If we had not stopped feeding livestock we would not have to worry about next year's crop being too big. I think the grain market wouldn't be where it's at.

This crazy story about eat the grain and not the beef. If you will take a ton of corn and you feed it to humans just as it is, you take a ton of corn and feed it to the steer, you come out with exactly the same ounce of digestible protein, because first of all the protein in corn is only 56 percent digestible. And in corn it's only about 8 percent protein to start with. But if you give it to the cattle, and feed these cattle on it, and by the time you get the meat, it's 17 percent protein—plus it's 80 percent digestible.

So, since you come up with the same figure, wouldn't you rather sit down to a steak then a dish of corn?

Thank you very much.

Senator CLARK. Thank you very much. We certainly appreciate your coming out today.

Mr. HEILLER. Thank you, Senator Clark.

Senator CLARK. The next witness is Mr. Ben Niewendorp from Sanborn, a retired farmer. Let me say while he is coming up, I would like to recognize Mrs. Norma Scheelhaase, the wife of State Representative Lyle Scheelhaase of Moville, who is in the audience. Representative Scheelhaase had planned to be here, but has been detained in Des Moines for today's consideration of the corporate farm bill, of which he is the chief sponsor.

Now Ben, you proceed in any way you think appropriate. Push that microphone up close where we can hear you.

STATEMENT OF BEN NIEWENDORP, SANBORN, IOWA

Mr. NIEWENDORP. I am just a little bit scared, because your private secretary came and got my written sheets, so I am just going to tell you a little bit about what has been going on for the last 40 years. Let me go into a little history.

I am just a little nervous because I've never seen the inside of a high school or college as a student, and here I have a professor of history and political science, who had enough brains to become a U.S. Senator, sitting on this same platform. What gives me courage is that the professors I've known didn't know what they were talking about and didn't even know that they "knew not."

The professors I've known gave me advice on how to ruin my soil and when my sick soil made my cattle sick and I sent the organs of one that died to the lab, the reply came back, "Spots on the heart, spleen and liver. We don't know what it is." (That was the only true statement they ever made.)

There was only one person left to turn to so I asked God for wisdom to heal my sick soil and sick cattle and he answered. If you want to hear about this, see me after the meeting.

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Now let's get down to business. You are here today to make the same choice you made in 1933—you can either serve God or Satan. I'll never forget that meeting in that little schoolhouse in 1933. I was an agnostic, surrounded by Christians. I listened to the speaker in absolute horror. After he finished, I asked him if he was nuts to accept that kind of a program. I pointed out to him that we had conquered scarcity and the abundance was there to be distributed, the problem was distribution, not production, and we were returning to scarcity to maintain price and those without the price could starve. I was told to take it or leave it and all the Christians around me maintained a craven silence and took what they were told and threw the abundance back in God's face. He retaliated by sending the drought of 1934 and 1936. Here we are again, 40 years later, with a crushing debt around our neck asking for relief. Neither you nor I knew, at that time, that the Triple AAA had been written by Communists. These Communists at that time were known as the "Ware" cell. They came from Harvard University. This is how George N. Peek, head of the Triple AAA at that time, described them, "A plague of young lawyers settled on Washington—in the legal division were formed the plans which eventually turned the AAA from a device to aid farmers to a device to introduce the collectivist system of agriculture into this country. (According to John Stormer)." Among these lawyers were Alger Hiss, Adlai Stevenson, John Abt, Nathan Witt, Nathaniel Weyl, and Charles Kramer. All of these, except Stevenson, were to be identified 15 years later as secret Communist agents.

We cannot solve the farm problem until we take a good look at our banking system. I want to strongly emphasize that I'm not criticizing the banking system, only the way money is issued.

The Constitution says that Congress shall have power to coin and regulate the value thereof. In 1913 we turned that over to the Federal Reserve Bank. Why?

In 1883 Beatrice and Sidney Webb and George Bernard Shaw—just 3 people—met and decided that the only way we could have peace in the world was to have a master race and the rest as slaves. This was the beginning of the London School of Economics and the Fabian Society. The seeds of Fabianism were planted in the United States before the start of the 20th century. Sidney Webb himself came to America in 1888.

The purpose of the Fabian Society was to educate the sons of the upper class to be rulers. The international banks saw an opportunity here so they organized the Round Table in England, the Bilderbergers in Holland and the Council of Foreign Relations in America (CFR).

In 1909, Senator Nelson Aldrich and Representative Freeland introduced a money bill called the Aldrich-Freeland bill. Representative Charles Lindbergh—Lindy's father—almost single-handed killed this bill. He said if this bill ever becomes law, it will be the straw that breaks the camel's back.

In 1913, Paul Warburg came from the (CRF), changed a comma here and a period there and called it the Federal Reserve Bank and President Wilson signed it.

When President Roosevelt took office in 1932, our national debt was $9 billion. Today, according to the U.S. News & World Report, it

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is $441 billion, but the total debt today in the U.S. is $2,501 billion. This increase took place in 43 years. On interest charge of 53½ percent billion. This is not an ordinary depression this is the end of an age.

What did Charles Lindberg say?

The Library of Congress informs us that $1 loaned out on compound interest at 8 percent for 100 years is $2,203. What are you going to hang around your children's neck? Can we afford to pay that much interest on a bookkeeping transaction?

We need the bankers and they need us. Let's work together to free ourselves from this octopus by asking Senator Clark to initiate a law that will allow a private citizen to sue the U.S. Government to declare the Federal Reserve Bank unconstitutional and reclaim all issues that will not interfere with normal banking practices and form a U.S. bank to perform at cost what the Federal Reserve Bank is now doing.

To keep the system viable, a band aid must be applied temporarily—"Old Brannon Plan))——

1. Decide on the size of the family sized farm.
2. Pay this farmer parity prices based on the 1910–14 parity ratio on the products to be controlled on this acreage of each farming unit according to the present cost of production and allow the balance to go onto the world market at competitive prices, unhindered.

This will recycle the Arab's oil income so that starvation can be eliminated all over the world.

This plan is easy to administer. All those who farm less than the family sized farm be allowed to purchase the same amount of feed raised on the family sized farm. Those farming a larger acreage than the family sized farm be paid on a percentage basis. For example, if the family sized farm is 160 acres and a farmer farms 320 acres, his payment will be 50 percent less levied or the first 150 acres of each farming unit; this compensatory payment is the difference between the market price and parity.

It is possible for prices to raise to parity for all farm products produced, but this plan will give us all an equal chance and not an advantage to the man that covets more than his fair share.

We cannot continue to substitute capital and the machine for labor without lengthening the relief rolls.

In 1962 I had the highest corn yield in O'Brien County, with Farmers hybrid, and 3 years later I had the lowset. And these college professors—I am a little nervous about a professor of political science sitting up here, but I have got to give these college professors a little dig. They told me to put on 190 pounds of anhydrous ammonia, per acre. 3 years later, I was down to 24 bushels of corn, per acre. So if you don't want to make the same mistake I did, don't listen to these college professors. I lost $37,000 in 3 years with the advice I got from these college professors. If you fellows think you are having a hard time now—here it is. I am not going to use it. In 1930—I bought a farm in 1930, and on a 5-year contract, and when I made a payment I was $6,000 ahead. And he fudged on the contract and gave me a 3-year contract, and it came due in 1933. Then the bankers and insurance companies went to Des Moines and they got the legislature to give them a moratorium, and the Governor signed it, all in one day. Then they came back. Now, you want to

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remember when they got that moratorium, they had our money; and then they started foreclosing on us. And then—you folks want to know how that riot started at Primghar—the farmers didn't start that riot at all, we came there just to get the same equity before the law as the bankers had. We had a proclamation, so the sheriff said to me, "Ben, what are you going to do now 10 minutes before the sale?" I said that we never came here to stop the sale, that they should go ahead and sell it. Then the county attorney said to the sheriff, "what must I do now to take care of the crowd?" The county attorney said, "Why didn't you ask me 30 days ago?" The fellow on my left was a neighbor, and we went outside of the door of the courthouse and we had $2,500 to bid on the farm acreage and Jim Sears couldn't get his bid in. They were selling it from upstairs. So when they couldn't get the bid in, Sears and I—that was my buddy—we ran into the courthouse and up the stairs. There stood seven of my buddies with sawed-off axe handles to keep us from bidding on the land. I was knocked unconscious. When Sears made the plea, he was a mason, the signal of distress, they said you fellows behave yourselves, and we'll just stop this right here. When they left, they took the clubs away from the deputies and took the lawyer and made him kneel and kiss the flag, and for 40 years I wondered why that photographer from the Des Moines Register got up there and asked the farmers to close their fists. And they closed their fists, and for 40 years I wondered why he did that. The owner of that paper is a member of the Council of Foreign Relations (CFR). He wanted us to appear as Communists—see, these two books, one—one is I'll Fares the Land by Dan P. Van Garder and the other is "None Dare Call It Conspiracy," by Gary Allen. When I got these two books, I was dumbfounded. These two books are proofs of what I stated. Let's go back to a free market, and let the market decide, the price and take the compensatory payments on the family sized farm and get away from being paid for not raising things. Thank you.

Senator CLARK. Thank you very much, Ben. We will make this statement a part of the official record. The next witness is Donald Meyer. You go right ahead any way you want to proceed.

STATEMENT OF DONALD MEYER, HARRIS, IOWA

Mr. MEYER. Oky-doky. First of all, I agree at least with several things that this fellow just ahead of me said, and that is one of the things as: what is the family-sized farm? But in the manner of a guy milking cows just as a family-sized farm, not that I want any honor and glory, it humbles me. It did happen to me in that matter.

For some time we have heard the news media and felt it ourselves—the plight of the dairyman and what has happened to him and his family and other families in the livestock industry. What I want to do is inform you of what I have read with the source of information realizing that you do not and cannot devote the time and resources to research for something like this.

What I will try to do is tell you what I have read, its origin and finally my ideas on how it can be dealt with.

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From The Farmer, a Minnesota publication, January 4, 1975, at a National Milk Producers Federation:

NMPF Secretary Healy said dairy farmers and their cooperatives suffered one of the most difficult years in the history of the industry. Milk prices at the farm plunged nearly 25 per cent in three months as massive imports drove dairy product prices below support levels. Price support levels were set at the minimum level allowed by law, even in the face of the most convincing economic arguments ever available which demanded that price supports be set higher. Also keynote speaker was Governor Wendell Anderson who blasted USDA programs that deny farmers a living wage. Anderson told the delegates that 3,188 Minnesota dairy farmers quit the business in the past year. He said Minnesota dairymen need $9.58 for their milk to break even, and are getting less than $7.50.

He accused the Federal Government of deliberately bringing down prices paid to farmers by authorizing imports. The government is urging farmers to produce all they can but won't guarantee them a price, what happens a year or two from now? You can plant more corn and soybeans, but you can't plant more cows. It will take a long time to bring them back.

Taken from the The Farmer, January 4, 1975, page 34:

Tony Dechant, National Farmers Union president, called for the Secretary of Agriculture to immediately raise the support rate for milk to 90 per cent of parity. "He has the authority to do it. Unless we raise the support rate we are going to continue to lose dairy farmers and become more dependent on imports, which are not in the best interest of the American farmers and the consumer."

At the same Minnesota Farmers Union annual convention, December 8–10, Senator Hubert Humphrey promised a review of all agriculture policy legislation by the Senate Committee on Agriculture and Forestry. (In regard to dairy) Congress should lift manufacturing milk supports to 100 percent parity and raise the basic formula price for milk regulated under federal orders proportionately. Support levels should be reviewed quarterly.

Taken from Dairymen's Digest, a publication of Associated Milk Producers, Inc., January 1975:

AMPI's new president Irwin Elkin, Amery, Wisconsin, has harsh words for U.S. trade policies which allow a flood of foreign imports to depress the price of milk. Right now the U.S. is importing one fourth of all the dry milk used in this country. For 20 years government leaders told us that nothing could be done to help the dairyman because of overproduction. Finally two years ago we moved from a buyer's market to a seller's market and the government turned around and around and increased dairy imports. He further criticized the government for allowing dairy items, whose production is subsidized by foreign government, to enter the U.S. We simply can't compete with a government. I certainly am unhappy with the situation.

Now this next item taken from Hoard's Dairyman, January 10, 1975, page 5, they have called Washington dairygrams. One of the items:

CCC contracted to buy 16.8 million pounds of cheese and 23.2 million pounds of nonfat dry milk in November. USDA officials testify that efforts are being made to move present Government stocks of nonfat dry milk overseas (about 150 million lbs.). USDA now estimates U.S. milk production may be 114.5 million pounds for 1974, 1 percent less than 1975, the lowest since 1948. A further drop expected in 1975.

From AMPI Dairyman Digest, January 1975, page 26:

EC milk support price increase and manufactured milk product surpluses.

A 5-percent increase in the average European community milk support price was agreed upon in October, increasing returns from dairy farming.

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The new price supports range from $9.05 per hundred delivered to plants in West Germany to $7.22 in the United Kingdom and Ireland, averaging $8.10 through the European Community. At the start of the 1974–75 marketing year last April European community milk support prices averaged $7.34 per hundred up from a previous $6.74.

Representative Lee H. Hamilton (D-Ind.) recently remarked in the House that the farmer has many disadvantages in the marketplace. The farmer is less able to pass along increased costs not protected by franchises, patents, licenses, or fair trade prices, holding no seniority or contracts with escalator clauses; dealing with a perishable product that cannot easily be held for a price. His productivity is nonetheless an example to the Nation. Output per man-hour on farms is 3.4 times higher than 20 years ago compared to 1.8 times higher in manufacturing industries.

Now I have tried to inform you with some of the things that are in the pro and con of this dilemma the dairyman is in.

It is a sad thing to have 3,100 plus dairymen quit in Minnesota in 1 year. Something should be done to stop this type of thing. It does seem that this thing of imports keeps coming back. It does seem odd to have the CCC buying 150 million pounds for overseas—dry milk—and yet import 25 percent of the dry milk used in this country. Do the boats meet on the open seas somewhere? Not to mention 16.8 million pounds of cheese and 23.2 million pounds of nonfat dry milk bought in November. No one could call this good management in anyway, shape, or form. Maybe we need imports? But we also need to think of the boys at home too. With manufactured milk work $9.50 in West Germany, who makes up the difference if that is imported and ours is about $2——$2.50 less?

Now we all realize there is trouble in the camp, so to speak, but some want to help, others say help yourself, then those that turn their back and won't help. If we can get the want to help, and help ourselves together, we may get the won't helps to look around and decide to help; then we would have a chance to get out of this mess.

I have talked to other dairymen about it—my idea—and they seem receptive. What will happen with just a guaranteed price? Maybe, look out, this could. The man that is all set to expand, he could put on another 50, 75, 100, cows and say: "Now that there is a buck in milking, we're all set to go." Go where is my question—right back to the CCC with some more surplus for the storage seller. You won't get many metropolitan Congressmen to go along with that if they remember history. Then look at how many family farms of 15–30 head of cows this man who adds on this 50 or more will knock out or equalize. Why not get a price so that there is a buck in milking. Then go into a regulated production so not to build up that fearful surplus, and get Mr. Metropolitan Senator and Congressman to listen and later vote in our favor because alone we can't muster enough help. We need them, too. They need our milk, we need their vote. How would one regulate or govern this type of program? Go to a quota of x number of pounds per year. This is arrived at by a past history production which can easily be gotton off of the IBM sheet where one—a producer—sold milk. The quota

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figure could be decided or taken. For example, 1 to 2 years back, or average of 2 to 4 years; then that figure adjusted according to a national need to be determined by a board on a semiannual, annual basis. Quota could be handled on a State-to-county level by the local ASCS office and local township committeemen. By this I or we feel also that this quota could not be bought or sold. A producer chooses to retire from milking. That quota stays with the farm or goes to county office to be allocated to some young party wishing to start dairying—start farming. This would keep the large corporation out and the family farmer—dad, mom, and the kids—on the land.

Even with this type of thing it still leaves us plenty of room for management, because if a producer has a quota of say 250,000 pounds a year he still has to determine how many cows he needs to get that much milk. If he can get only 10,000 pounds per head, 15,000 pounds per head. Also the amount and type of feed needed, these are factors that will still have an influence on amount of profit or loss.

With imports, cost of operation on the rise, declining prices at the marketplace, we need help; yours to take our dilemma to Washington and jell this idea and others together and come up with something concrete, we'll not overproduce if this idea is somewhat followed. Then maybe Mr. Metropolitan Representative and Congressman will pass instead of not passing. There is a Cost of Living Council; maybe there should be a cost of production council, too.

There is one other thing to be considered very strong and that is that a very large percentage of those families producing grade B—manufacturing—milk are tennants. These people are in no position to upgrade the physical facilities to qualify for grade A. But they can use what is there to their advantage if they so choose. The cows, so to speak, are, in most all cases, theirs and if this enterprise is taken away from the family by having to operate at a loss, they will have to close out and there will be still more people leaving the land and joining the unemployed. This type of thing we do not want to continue, too much of it has taken place already. Just count the empty building lots and used-to-be homesteads. We are not afraid of some work if we marry ourselves to the cows twice a day, 365 days a year. What we do need is some, as I stated before, good legislative help to get back in the profit column. Then maybe some guidelines so as not to overproduce; 100 pounds equals 46½ quarts; 2.15 pounds, a quart. It takes 21.2 pounds for 1 pound of butter; 12 pounds for 1 pound of ice cream; 10 pounds for 1 pound whole milk cheese.

Senator CLARK. OK. Well, we appreciate your statement very much. And I think Congressman Pressler is correct in saying the greatest resistance to the new farm bill is apparently the increased dairy support. Because the House in this new bill has increased dairy support to 85 percent, it is presently, as I recall, at 80 percent. And that is where a lot of the opposition is going to come. This State, by the way, contrary to what a lot of people realize, is one of the major dairy States in the United States for certain. There are only 5 States in the United States that have greater production. So we are particularly happy you came to testify about it today.

Mr. MEYER. One injection, a lot of people say educate the consuming public. How many of you know how many quarts of milk there is in 100? Do you by chance know that?

Senator CLARK. No.

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Mr. MEYER. Forty-six and one-half quarts in a hundred. That is 2.15 pounds in a quart. The farmer is used to dealing with milk in the manner of hundreds, but the consumer talks quarts; 21—it takes 21 pounds for a pound of butter, 12 pounds for a pound of ice cream, 10 pounds for 1 pound of whole cheese. What I am getting at is let's move our decimal point over. Then it would be 21½ cents the producer would be getting per quart of milk. If he was getting $10 per hundred, milk being is where—by the quart, isn't it around 45 cents, 43?

Senator CLARK. Something in that range.

Mr. MEYER. Why does this product double from the time it leaves the producer to the consumer. The one thing to be considered very strongly is that a very large percent of these family-producing farms produce grade B milk, and are tenants. These people are in no position to upgrade their physical facilities to qualify for grade A, but they can use what there is to their advantage if they so choose.

Senator CLARK. Thank you very much. Mr. Lolan Cronin, LeMars, Iowa, you proceed in anyway you think appropriate and we will let you know when the 10 minutes are up.

STATEMENT OF LOLAN CRONIN, LeMARS, IOWA

Mr. CRONIN. Senator, I didn't really come down here to make a speech. I was talking to Bob about my trip to Australia, and I would like to give you an indepth look at what I observed while I was there. Our daughter and husband live in Brisbane, where he teaches. That is how come we were there. We spent 45 days over there. When we were driving around, we made about 5,000 miles, and I observed an awful lot of cattle, a lot of large cattle. I kind of got concerned, and I went to a sale barn in Cannon Hill. This particular day they had 3,500 head of cattle. With me I took my tape recorder, and camera—and they sell everything by the head. Now, they had cattle there that day that would weigh 1,500 pounds. The most any steer bought that day was $92. And they had Holstein-type steers weighing 1,100 pounds sell for $34 per head. Genetically wise their cattle are just as good as ours, and Hereford and Shorthorns are predominantly their breed. They sold cows by the head for $5 to $20 per head, 300 pounds. Hereford calves for about 4 or 5 cents a pound. Now, what happened in Australia, they have 34 million head of cattle in that country, and they have 13.4 million people, so you figure that out per capita wise and you are talking about 5 head per capita roughly. And we have 131.8 million cattle in this country versus 214 million people, so you are talking a little better than a half a steer. So you can compound their problems. I got some interesting comments from what we would call their commission men. And the general analysis all boiled down that they figure the United States is going to bail them out of this thing in about 12 months. I ate their beef and it is not all that bad. It is primarily grass fed beef, and being they are so cheap, they can't feed grain. Another thing, this has happened to these people in 12 months. We have taken about a third cut in the price of our beef in the last 12 months. This steer that is bringing $90, he would have brought $360 a year ago. So you can see it happened pretty fast with them. They have increased their herd size 9

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percent, 4 consecutive years. The reason for that was they had about 2 million sheep in this country and the wool prices were bad, they now have 147 million sheep, so they went into the cattle business. I think in the State of Iowa, alone, we have almost 2 million head of cows. It is a complex problem. It is a world problem. There is no easy way to figure it out. I don't have my figures with me, but I do know I did read in the paper over there that they are going to keep on exporting beef to the United States. And if the United States would stop them, if the meat was on the way to United States, they are going to keep on sending it until we do stop them. They are going to just keep right on. I was concerned about why they didn't feed Asia, they are much closer to Asia than we are. But somebody has got to pay the bill. You know, we hear this— we have got to feed the world—but somebody has to pay the bill in the end. I noticed a couple of weeks ago on 60 Minutes, I am sure a lot of you saw it. It showed feeding corn to cattle, and it disturbed me, because who is going to eat corn. This was the theme of these story. People are protein hungry, now corn hungry. It makes us look bad. They show starving people, but they never say anything about who pays the bills. Do we have to feed the world and just give it to them? I don't think that is the answer. But it is a world problem. These are just some of the things I observed firsthand.

Senator CLARK. All right. We appreciate very much having your testimony, particularly with regard to Australia. Thank you.

Mr. CRONIN. Thank you.

Senator CLARK. The next witness is going to be Stanley Sievers, Route 2, Newell.

[At this time a brief recess was taken, after which the hearing resumed at 1:45 p.m.]

Senator CLARK. The witness, as I announced earlier, is Stanley Sievers from Route 1, Newell, and a farmer. You go right ahead, Stan.

STATEMENT OF STANLEY SIEVERS, NEWELL, IOWA

Mr. SIEVERS. Thank you. I am a farmer, also a cattle feeder, so I did take quite a sizable loss in my net worth as any other feeder in the last year. However, the main reason I am here is to comment on target prices of corn and soybeans. I think this should be raised. As to what the price is set at. I am sure it is debatable. I will say this. I don't think $3 is too high for a target price, even being a cattle feeder. These things, we will make that work out. I do not want the direct loans correlated to the target price so that the Government will take over the stocks of feed grains, but rather give a type of recourse loan so that farmers can keep the grain at home and market it at his convenience to insure orderly marketing. With all the Government intervention on exports this year and the psychological downward affect, we may see the biggest boxcar shortage ever, come this fall, because it was said, there's at least 60 percent of last year's crops still in the farmer's hands. If this is all held until fall, at the same time this year's crop comes in, we could see a very extreme boxcar shortage pile up. I want to comment on the strategic grain reserves. I think in the past at least you, Senator Clark, and Senator

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Humphrey from Minnesota, Senator McGovern from South Dakota, three Senators from agricultural States are all advocating setting up a feed grain reserve. I think these three Senators from this area at least should not be talking about setting up a feed grain reserve. Any time you have a Government own stocks, it has a price depressing effect on the market, and we don't need this. We in no way want the Government to set up a strategic grain reserve as this also would have the same psychological price-depressing affect on our grain markets. I think if you want to set up a reserve it should be a reserve of money contributed by all nations able, including the oil-producing nations; then this money could be used to buy world relief food at the world market price. A grain reserve may tend to even out prices, but I would rather have a fluctuating market and get $3.50 for half of my corn and $2.50 for the other half than to get $2.25 for all of it in a Government-controlled price situation. We do not want to saddle ourselves with prices which are at or near the cost of production. A guarantee looks attractive but we remember the long years when corn was sealed at a little over $1 and the price stayed there. That was our cost of production. And we are not ready to accept another 10 years of corn prices at cost. Let's have it well over cost. After all, I think we should be entitled to make a profit just as well as any other private business. I think you should do all you could to stop imports of beef. Currently we are marketing a lot of grass fed beef. This is the argument we had in past years, Government had to import this beef because it was poor quality and we have a market for this kind of meat. Well, we have this kind of meat in this country also. We have plenty of it right here now. As far as cost of production, I just want to say that fertilizer costs have doubled from 1973 to 1974, just slightly over doubled, and in 1975, it will go up another 50 percent. I guess there has been enough said on the cost of production, it is going up.

One other thing, I would like to comment on the revenue sharing back to counties and cities. In Buena Vista County, I believe it was 2 years ago, we received about $76,000. We met with our county supervisors, we urged them to cut local taxes, to use this money to cut local taxes, so this is what they did. But the Federal Government said if you use it for that purpose, we will cut your share of the revenue sharing. So the next year, our share was cut twenty-some thousand dollars. We only received $56,000 last year. I don't know just exactly—I think we received about $53,000 last year, just because we are trying to save some taxpayers some money. The Federal Government says if you don't blow the money, we will cut your share. Just another instance of trying to do the right job and getting penalized for it. I guess one other comment, or position. I have been asked by many people to do all we can—I guess I failed to mention this, I am president of our county farm bureau. And I have had many people come to tell me to please do what you can to stop the Federal Government from setting up a national health insurance program. I have talked to one that wants it. Let our private competitive business take care of this. They are at the present time. The only thing I think we might do is to let us subtract the cost of premiums from our net income, rather than having to

itemize deductions before you can deduct any of these premiums spent from your Federal income tax. I think this is all I am going to say at this time. I thank you for coming out here today.

Senator CLARK. Thank you very much.

Mr. SIEVERS. I don't know if you like doing this any more than I like cleaning out the hog house, but I hope you enjoyed coming out more than I did that. And I hope you come more often.

Senator CLARK. Thank you very much. There was a request to talk about the Rock Island railroad. I know it is of a lot of interest. While I call the next witness, I might make a couple of more comments about that. Robert Donahoo, Rural Route 2, Peterson. Come right up.

I think we find ourselves with regard to the Rock Island in a very, very difficult position because we have almost 2,000 miles of track in this State alone. We have 2,100 employees involved. We have over 1,600, if I remember correctly, 1,668 elevators that are served only by the Rock Island. So that gives you some concept. Two and a half billion dollars worth of grain was hauled by the Rock Island last year. The question is, what's going to happen now? There are really about three alternatives. One would be a major loan, and that's being considered today. And that would just keep the railroad going. The second proposal is that if the Rock Island took up bankruptcy the Interstate Commerce Commission would appoint other railroads to continue to run the Rock Island. The third alternative is to, in effect, force the merger with the Union Pacific, and the Union Pacific would run that railroad. Both the Rock Island and the Union Pacific have wanted to merge for 13 years. It's been before the ICC. This third alternative, it seems to me, is a real possibility, that we can give workers the insurance of job security and bring about that kind of merger, and that's the kind of legislation which I am in favor of and want to sponsor with Senator Pearson of Kansas. Either of these three methods, it seems to me, has the distinct possibility of keeping the Rock Island running. I think whichever way we go, we have got to keep these trains running. The question is, how much track would be adversely affected, whether we might get a week or two in the process when we wouldn't have rail service. Either of those would be somewhat disastrous. Those are the alternatives we face right now.

Robert Donahoo, Peterson, Iowa.

STATEMENT OF ROBERT DONAHOO, PETERSON, IOWA

Mr. DONAHOO. Thank you, Senator Clark. I am Bob Donahoo, and I am from Peterson, Iowa. I have a 480 corn, beef, cattle, hog operation. I am a registered Republican, but thank you for coming and listening anyway.

Senator CLARK. Thank you.

Mr. DONAHOO. Last year I lost $20,000 feeding cattle. To some of you, this may not seem to be too much, to others it may sound like a lot. It was a lot to me. This would have went a long way in educating my five children. I am not out here as a farmer to make a fortune, I am out here to earn a living and to raise a good, decent, God-loving, law-abiding family—and I think that is what most of the farmers here today are out to do.

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Last night we had a meeting in Peterson to discuss the position we are now in, that is, the costs we are facing versus the returns. Not only on row cropping, but also with cattle feeders, hog producers, the dairymen, we are all in the same boat. And where are we going to end up? Now, a lot of the things I am going to say here are going to be repetitious of what other gentlemen have said before, and at first I didn't think I was going to get up here and say too much, but I wanted to go on record what my feelings—and the feelings of the people that were there last night were.

Senator CLARK. Is this the meeting that was described earlier, the followup of which is to be in Paullina?

Mr. DONAHOO. That's right. Well now, there were about 100 farmers that turned out, and here are some of the thoughts that came out of it at the meeting, last evening. I might just make some of these statements, and these aren't my thoughts and when I say I, I mean I am one of the farmers, too. I really mean we, but sometimes it comes out I. First of all, we don't want to embitter the housewife or the American consumer. Last Christmas I had the pleasure of going to California—Mr. Butz said everyone went to Nassau or the Bahamas, but I went to California. My dad was out there, and I went out to visit him. One of the first things my cousins out there said to me, what in the hell are you killing all of that livestock out there for, Bob? In the Los Angeles Times, when they were killing livestock, a small minority of people in Minnesota and Wisconsin—this is what made the front page of the Los Angeles Times. People wrote in to the Times on the editorial page and they got so many embittered consumers, and they said they might load the farmers up alongside the ditch and shoot them, if that is what they are going to do. This is how the press is using us. Here is an incident that was a real small incident, and they were sick cattle, a lot of them, and they blew that all out of proportion. This embitters the housewife against us. We don't want anything like that. We have got to educate her, tell her what our problems are, what our costs are. This is one of the things that came out last night. We have to tell her what our problems are, what our costs, fuel, fertilizer, it's tough. There was a lot of ideas that came out last night. Maybe we better get some coverage on national television. I don't know if this will solve it, it sure costs a lot of money.

I will say again, though, we want the Government out of our markets, our foreign markets. We developed, we paid the money into the checkoff. We give them the bucks from the beans and the cattle, and we developed these, and the Government took it away from us. After we developed the market to Japan for beans, the Government chose to close the door. They put the lid on the cattle. Maybe they would have went up, but I don't think we would have had the problems that we had later. They always told us in Washington that we could not compete with foreign agriculture. When we finally reached a position since 1948, when we could compete with foreign agriculture, the Government chose that time to slam the door in ur face. So Senator Clark, I want you to go back to Washington and tell your gentlemen sitting in the Senate with you that we want you to do something somehow. If I had the answers, I would tell you how to do it, to stop from paying with these foreign markets. Well,

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there was the commodity market discussed last night. Now I don't know, I have never played the board of trade, but I think last night the feelings that came out at the meeting were that it's gotten to be a big money scheme, not for the farmer, but for the speculator. A lot of people took a beating in the stock market, so they decided to get out of the stock market and start playing the grain market. And I think one of my pet peeves on this commodity market is that we ought to have more delivery points, and there should not be any dealing done on paper. If you sell a contract, you should deliver in kind. If you are going to deliver soybeans, you better deliver soybeans, because I think maybe perhaps this would get some of them out of it. Same way with corn and meat. Somebody brought up about this IBP deal. This was discussed last night. We didn't want any of these packing plants making their own beef, competing against us. We don't want this. I can tell you a little incident on this. I had a cousin that bought sheep for Swift. Swift was feeding sheep. They do, every morning about 7 o'clock, they know how many sheep were going to be in that yard, and they went out and called their farms. No. 1, when the market went up they paid a few more bucks on those sheep, number two, they kept the market under control so as not too many sheep came in—or they brought sheep in, excuse me, so that market wouldn't go up. They controlled the market. And I don't think we want this.

Now, this didn't come out at the meeting, but I had one gentleman ask me this. If you, Senator Clark, could explain to me, or explain to us when a country like Japan backs out of one of these grain deals, just who holds the bag? Say they write a contract for some beans, do they have to make up the difference, or do they just tell the Government we're not going to take them, and the Government—which is us—do we just absorb this?

Senator CLARK. No, the Japanese buyer, or any foreign buyer buys from the grain company, and he contracts with the grain company; so in fact, we are about the only country in the world where the country is not a part of the contract. Therefore, the arrangements in terms of backing out, whether they pay off a part of that contract or percent of it or all of it or none of it, would be something that would be entirely a matter between that government and that buyer and the grain company here.

Mr. DONAHOO. Well, I hope that answers the gentleman's question. Now, I think to sum it up, our meeting last night is we want the Government out of farming. You know.

Senator CLARK. All right, go ahead and finish.

Mr. DONAHOO. OK, I will finish up. You know, it's been proven with the Russian collectivization of their farms, they couldn't farm. The government in Russia couldn't farm. A large percent of their food has been produced on little plots that the government has given them, so I don't think we want the Government telling us how to farm. And one of the things that came out last night also is that if the Government can't get out of farming, we are going to cut back There was a hundred farmers there, 70 of them said they would cut back 10, 15, 20 percent. A few of the others forgot to circle one of what they were going to cut back. They wrote on the bottom in the remarks section that they would cut back, but forgot which one to

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mark. But if the Government won't leave us alone, we are going to do it ourselves. And I want all of you gentlemen, maybe Mr. Clark will get an invitation too, Senator Clark, to come to the coliseum at Ames. Maybe we can put our heads together and come up with some definite ideas. Thank you.

Senator CLARK. Thank you very much, Mr. Donahoo. I understand the meeting in Ames is the 20th of March?

Mr. DONAHOO. Yes, sir.

Senator CLARK. There will be a meeting——

Mr. MEYER. I'll tell you, Middle School, 1:30 p.m., with Senator Humphrey, Mr. Nolan, and Secretary of State Agriculture. There is a State ASC man, and they are holding this.

Senator CLARK. Middle School at Windom, tomorrow at 1:30 p.m. Paul Wise of Avoca, Iowa, Pottowatamie County. Paul, you come right on up here.

STATEMENT OF PAUL E. WISE, AVOCA, IOWA

Mr. WISE. Well, good to see you here, Senator. Some of my remarks might disagree quite a little with some of the statements made here, but I am getting a little age on me, I have seen the 1930's. In fact, I lost my father in 1930, December 10, I was the oldest of three children. I was 23 years old. We had 3 farms, a house in Council Bluffs. And before 1932 rolled around, we had lost two of them. In other words, just signed 2 farms and the house in Council Bluffs away because everything was mortgaged, and we hung onto the home farm under these circumstances. We had the advice of an old uncle who said there was no use in selling corn for 20 cents or 10 cents, because it wouldn't pay our bills. By the way, we only had a $24,000 mortgage against 280 acres.

We made some mistakes. We were young, farmed with horses. But we signed—after the first year—being delinquent, Metropolitan Life Insurance didn't know what to do with the farm either. We got delinquent 3 years, interest and taxes. Metropolitan paid taxes charged to us plus interest on interest. We signed a mortgage for all of the crop, couldn't do a bit of a thing with that crop, signed a mortgage for all of the crop so to stay on that farm. We were shelling corn, threshing, and sawing wood, and in the meantime I got into the farm holiday association, because we had a tractor that wasn't paid for, and we were going, or we thought we were going to lose that. We pulled through because we were all single.

Now I know a little bit about what it is to have a little rough time. Roosevelt was elected and he started to talk about sealing corn at 45 cents a bushel. That bailed us out, because we had 3 years of crop on our hands. Sold stored corn for 35 cents per bushel. We hung onto the land. That's the reason we had to sign the mortgage for all of the crop. The crop was laying there. And by the way, that's the reason I'm still a farmer. If I hadn't went that way, I would have been kicked out. That's the reason I still think we need a little Government in this here farm operation. I think we need some regulations of some kind. I don't know how, but by the way, I'm representing the Farmers' Union, in case nobody knows it. We believe there is a place in agriculture for Government. We have a

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pretty good program. Down through the years, and under those other programs we were sealing corn for about 65 percent of parity, and the Government was releasing or selling this corn at 90 percent of parity. That's the first time I ever heard of a recourse loan, and nonrecourse loan. There's definitions in there someplace between some of these people, and they probably don't understand. A nonrecourse loan means that corn is the only thing they have backing it; a recourse loan means they can come on anything you got, like that tractor we had. And this is what the farm bureau advocates, a recourse loan. I did not belong to the farm bureau. I have to now, I couldn't get any fertilizer last year without joining them, so I have to belong now. They are so powerful that they're running the State of Iowa pretty well, and probably the whole Agriculture Department right now, I think.

That is the reason I said I might step on somebody's toes. But that is beside the point. We have a program, we want to seal corn now at 90 percent of partiy. And just as soon as it gets to 110 percent, of parity, then it's the farmer's. And he has to pay his own interest, storage and everything so that will make him sell before it gets outlandish in price.

Now, we're asking for that. We have asked for a lot of things—and by the way, I suppose you noticed the Farmer Union left the coalition the other day down in Washington when it came out of the subcommittee and the House Agriculture Committee—they came out for $1.87 per bushel—Farmers Union asked 2.45 per bushel.

Senator CLARK. $1.87 corn loan rate?

Mr. WISE. For target, $2.25, I think that is a pretty good program. What we're asking for, 90 percent of parity, and then have to sell at 110 percent of parity, the farmer wouldn't hang onto it. He would get out before it got to that, so he wouldn't have to pay that interest and storage. I had a lot of corn in storage before. When the Government called it all in it deflated the price for awhile and practically gave it to Russia. We wouldn't be so short now if we hadn't given it to Russia. That's the way I understand it. And by the way, they lent them the money. There's another group that wants to pile up money so when we get in trouble they can buy the products. Who ever heard of eating money? You can't have this product right on hand, it takes a year of planning to get a crop. Somebody has to plan for a year to get a crop. The oilman can shut that pipeline off right now, but we can't shut our line off. We are starting right now to figure for the next crop. When we put on fertilizer, and some of us didn't, I think some of us even overfertilized. I farm corn and beans.

I've got two boys out there on the farm—and not to say anything against girls or women—I have five daughters.

Senator CLARK. You'd better not if you have five daughters.

Mr. WISE. I can see where they can get upset with my boys farming operation real easy. The guy that says he can go along here without any help or anything, they'll lend you money, but all of a sudden you wind up owing that bank so much money you are a slave to them.

I would like to see the farmers have a little equality with labor organizations. When I say I have five daughters, I've got five sons-in-

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law, too. And they're in organized labor. Now, they're drawing more money than my boys get out on that farm per hour. They're getting $6.10 an hour for packing meat in a box. I don't complain about that—outside of I would like to see the farmer up there equal with ordinary labor once in a while. All they say is they want cost of production. What about a little bit of profit for us? That's the reason we're talking about 90 percent of parity. Parity means, in my book, equality. It's written in all their contracts; every year it goes up. When American Beef closed down, I had a son-in-law working down there—I forget his salary, but while they were closed, there was an automatic increase in wages that went into effect, so he got 25 cents an hour increase when they opened up again. Now we didn't get that on the farm. We went backwards in the price of grain and beans, and the cattle were just starting to respond a little bit.

By the way, we've got 500 head of cattle—we are not making any money, but I'm not buying cattle. We are roughing cattle. Buy calves and feed a lot of silage. If I didn't have those boys working out there pretty cheap, I wouldn't get by. And that is the way all of these other farms do, they're working cheap.

By the way, I want to complain about one other thing. This here disaster program we have for all of these people, farmers and business people collected money from this disaster program from this flooding a year ago or so. I supposed you had some up here, but we were around the river. And they flooded the town, and people got paid for their basements. One implement man got paid for all of his machinery that got flooded. Here's a little story, he says, yeah, I figure up what I figured my machinery worth, what it got hurt, and I figured it was about $17,000; so he got an FHA man in there to talk to. The FHA man said we can lend you this $17,000 if you think this is what you need. The implement man says, I've got a real good banker up in our town, and I don't need to borrow money from you. But the FHA man says the first one is a $5,000 one; forgiveness loan. "I'll take that real quick." What I'm griping about is they didn't print any of their names in the paper. Just the farmers names are printed. Paul Wise did not get any of the money.

And that's about all I've got to say for now.

I thank you for coming out here.

Senator CLARK. As I understand the thrust of your testimony, you would like to see Government in agriculture, at least to the extent of providing support prices?

Mr. WISE. That's right.

Senator CLARK. Thank you.

Mr. WISE. Conservation work.

Senator CLARK. I think the other point you made, that no one else has talked about today, is, and we made a great point of this in Des Moines at the hearings a week ago, the effectiveness of the diaster provisions. Because that is one of the things we clearly have to change, based on the experience which we had this last year. Thank you.

[The following letter was subsequently received from Mr. Wise:]

AVOCA, IOWA, *April 24, 1975.*

Senator HERMAN TALMADGE OF GEORGIA.

DEAR SIR: Thanks for your interest in agriculture. We have lost our stability in the marketplace. The drought last year has given us a good price. I worry

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about this all-out production and the price reduction we will have to take when we overproduce "today." In this part of the country all radio stations and T.V. stations are geared to selling something to the farmer. Grain and bean prices are good now. Livestock seems to be coming back; not making money though.

Secretary Butz says its good for some of us to go broke. I understand he has it in his power to raise these support prices. He's advocating President Ford to veto your farm bill.

I wish to thank you for your action in the Senate Agriculture Committee. I'll bet Butz doesn't come up to your figures.

Again, thanks.

Yours truly,

PAUL E. WISE.

P.S.: If farmers have a profit they will buy and straighten up the economy. They have to have something to sell though and right now mother nature is keeping us from the fields.

Senator CLARK. The next witness is Dale Riediger. He is from Hinton, Iowa, and he is a farmer-feeder. Is Earl your brother?

Mr. DALE RIEDIGER. This is correct.

Senator CLARK. And where is Earl?

Mr. EARL RIEDIGER. Right here.

Senator CLARK. Why don't you come down here too, and we will have a brother act. You can both testify together. We may get an argument started here. Go ahead and take turns and pass the mike back and forth.

STATEMENT OF DALE RIEDIGER, HINTON, IOWA

Mr. DALE RIEDIGER. Hon. Senator Clark: I feel pleased to have you with us to hear our story of life in this particular part of the great producing area of the Nation. I want to thank everyone responsible for making possible this sale barn and facilities for the purpose of this meeting.

Now I want to tell you what I think most farmers and livestock people feel toward all that has been done for us as producers. As the past 2 years have went by we have been lied to and put to utter shame in the way that no producer should ever be subjected. First we produced a good crop and gave it away, when everybody was Watergating and not minding the store. Next the propane and railroad boxcar shortage which slowed our cash flow down to a trickle. Late payment for grain, that had been dried and shipped, plus no fuel to dry corn to No. 2 corn basis, so elevators would even take it in, and after shipment pay interest to banks on overdue notes while we waited for money because of failure of grain companies to pay promptly. The only way you could stay in business at all was to have livestock to sell for ready cash. Then the administration put a strangle hold on the livestock market with price freezes, and a concoction of custom slaughter and politically motivated consumer boycott telling people meat was too high; and there was a shortage and there wasn't enough to go around and we would have shut off exports and import meat. Later in August 1973 such action was taken. Then the Agriculture Department said the price freeze would go off in September and producers anticipated the livestock prices would go up. But they forgot to tell them clearly that the export embargo of pork and beef was put in effect as of the 13th of August 1973. This bit of knowledge caused disaster in the cattle and hog markets. With feeder cattle at

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a record all time high, livestock prices dropped $10–$15 per hundred in the days and weeks soon to follow. The best of all producers of the livestock had been sucked into a trap. The largest feeders and a corporate feedlots sold to packers direct at sharply lower figures and liquidated their heavy cattle, leaving the small feeder and terminal market without a substantial buyer of cattle or hogs; only at drastically lower levels. No one expected this condition to exist for too long a period of time so the people without a market held their cattle and hogs to heavier weights. But the markets didn't improve. The Department of Agriculture and our representatives in Washington were Watergating, [or fiddling while Rome burned.] So now after three or four consecutive batches of cattle became fat and losing from $150 to $500 per head.

Meetings were held almost everywhere about the plight of the producers. The only thing that ever came up was have a checkoff and send people to Washington to find out what the hell the matter was. Secretary Butz came to Sioux City in the summer of 1974 and gave a long talk about a light at the end of some tunnel. I think he meant down the tube. But he did say officially when asked about the embargo placed on beef and pork exports. The Secretary said it was put on on August 13, 1974 and was still in effect.

Now my dear Senator, how much of this kind of an on-and-off again business can any producer stand? The livestock producers and corn and grain consumers in the form of red-meat producers are broke. Farms have been mortgaged and sold in some instances and feedlots liquidated, producers are at a loss of what to do. Some say they will never be able to pay the creditors by grain farming.

The producer of grain now feels after such a drubbing they have been getting in up and down markets and off and on again exports controls and embargos. $3.70 to $2 corn, $11 beans to $4.30 beans, oats $1.80 to $1.20 oats, $5.75 wheat to $3.25. These producers are at the crossroads of not knowing what to do. Some of the people in this line are also people who produce beef and pork, suffered drought, hot weather and financial and physical loss of stock due to severe snowstorms.

Some financial assistance offered in the drought was made available but would not pay for the fertilizer and seed used on the crop to say nothing of other expenses. Getting financial aid to livestock producers who lost livestock during the storm is a quite a process, for instance if you bought a cow 2 years ago for $400—hypothetical more than likely $500—and have a note at some bank for purchase price at 8–9 percent interest and lost the cow in January storm, cows at that time were worth $200 with calf, or calves at purchase time $150, storm date $100, or steers $225, storm date $150, due to the market value had gone down before the storm. The loan programs says it will finance storms date value of cow $200 at 5 percent for 2 years, then refinance and you can either buy another cow or pay off an old note.

So now 90 days later after all applications are approved you may get $200 to buy a cow in the spring costing $275 or short $75 of enough to make the purchase, which note will cover only $200 at 5 percent. You have a situation where you owe a note at the bank for $400 plus 9 percent, receive $200 at 5 percent, and have to dig up $75 to buy a cow. So you end up with a cow, with a $675 note, $4.75 at 9 per-

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cent, $200 at 5 percent. Then at the end of 1 year $54.75 interest on one cow. This applies the same on the other animals. Big deal!

So now we have to grain farm for a while. Shall we plant corn or beans or wheat with an eye on the weather and the other on Washington export controls and et cetera, or should we tell them right straight from the shoulder we want a decent long term program which will let us come out of this chaos with our skin.

I have some proposals to offer.

1. The sooner the farmer and producer get their own Congressmen and Senators to represent them and serve notice in Washington to all the consumer oriented people, that we want our cost of production minimum price floor attached to the minimum wage and hour law, for instance no less than $2.20 a bushel corn on basis of $2.20 an hour minimum wage, $2.40 a bushel if $2.40 an hour is minimum wage. All other feed grains and oil seeds can be figured to the concept. Everybody understands minimum wage. No minimum wage, no production. Get this straight, we are not asking for a maximum but a bare minimum floor like the wage and hour law.

2. Close the imports of unneeded surplus products immediately. No need to import meat in any form, cars of any design; put our own people back to work, open up the pumping of oil from our own oil wells which have been ordered 2 years ago by the Government to cut to 50 percent of previous production.

3. Keep our meatpacking companies out of the feeding business, where they soon gain a monopoly.

4. Repeal the act which prohibits packers from retailing their own meat through their own butcher shops. This will help break the chainstore monoply of using meat as loss leader or pricing the meat so high the consumer can't buy it.

Fellow Americans, I don't think we need to cut off sales of feed grains or any other products that somebody is willing to buy; this only breaks faith and trust in our form of government. Importing of meat, cars, oil, sugar, plywood, to name a few, are things that have ruined each individual industry. Let's get America going again.

I want to thank you for your time, but sincerely hope this meeting doesn't turn out like most of the God-forsaken cattle feeder meetings.

I thank you.

STATEMENT OF EARL RIEDIGER, HINTON, IOWA

Mr. RIEDIGER. Senator Clark and committee, I wish to thank you for coming out and listening to us. I sleep this stuff, I dream it, and I eat it, and I go to bed with it, but I am a firm believer after the rhetoric we have heard here today on getting the Government out of agriculture, let us go on with the Government out of agriculture treating us like it is, for the next few years you won't have to worry about getting them out, because you won't be in it. I have no interest in producing for the price that the rest of the Nation considers is fair to me. I am interested in producing for a price I can live with. Cost of production plus a reasonable profit. I want to be like the autoworker, talk about pricing, that is the way we should go. Eight dollars an hour for a 40-hour week, overtime for the rest. I want to

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also gain his fringe benefits. I want to be in the position where I can get 95 percent pay for the days I don't work, when I am laid off. I want to have my production work the same, they gave you $200 back to buy a car. What did you give them to buy your steers? Don't you think people, it's time you and I woke up? This is our problem, not only the Senator's, it is our fault. We asked for it, and we are in our own soup. Farmers are going to have to come out of this a little bit by themselves. We need a minimum, $2.50 a bushel on corn, $4 on wheat, and $5 on soybeans. We need an escalator clause that says if the cost goes up above that, our prices go up also. We need it on all our production, not last years 80 percent, if you raised any more than your quota, you were out of business. You immediately fell down to $1.05 on all production, not on just a part of it. I don't have a lot to say here, I realize some of these problems, a lot of them, perhaps most of them, are our own. But we do need Government protection, and unless we get it almost immediately, we won't need to worry too much about it.

I want to say a little about disaster loans in this area. We got a big writeup in the New York Times on disaster loans, how they were granting the farmer this money. So I went up to check on a few of the disaster loans. When I got to find out what was going on, I find if you had enough collateral to borrow the money anyway, you could get a disaster loan. All we got off of that was publicity. Bad at that even. Now, we talked about the food being cheaper, that is all they talk about at the administration. That is all President Ford says, he wants to get the wages up, he wants to get the unemployment benefits up, everybody wants to reap the harvest and the farmer is supposed to produce it for nothing. I haven't got anything else to say except that one of the people in Washington that I think needs a very definite straightening out is our Secretary of Agriculture Butz. We need a Secretary for agriculture, not of agriculture. Thank you, gentlemen, for listening. I think that is all that I have.

Senator CLARK. Thank you very much. I appreciate it. The next witness is Charles Widman of Bronson, Iowa. Go right ahead.

STATEMENT OF CHARLES WIDMAN, BRONSON, IOWA

Mr. WIDMAN. OK, what I have to say, I don't think too many people are going to be too gungho on. I feel people are kind of missing the whole point of target price. First of all, we should look at the American consumer. We are saying we need target prices for the farmer. We need them for consumers. We have had target prices since 1932. We provided good stable farm income in them years with a net of about $35, $40 an acre at the best, and you had something to plan on. And the consumers were supplied with the beef. We have had 10 years of continual cattle cycles in the past, in the 1950's, early 1960's, and in the past 2 years. Today I hear a lot about people saying Government get out of this. Well, you want a private organization, I don't believe farmers are ready to jeopardize their independence for a private organization. In my opinion, you are going to have to have so much Government help, otherwise you are going to have these ups and downs of agriculture, and people get hurt. And

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when we talk of target prices, I would think the consumers could be sold on that today, because it averages out at right around $1.29 a bushel for 40 years. Now if you look at consumers as people, at that aspect, we are only 6 or 7 percent of the population; but if people realize we are kind of idiots out here and we are doing it because we like to do it, there is a moral value to farming. My father farmed for 50 years. He never got his profit on his investment, all he did was make a decent wage for his family, and you always throw the interest on your investment in at no cost. I am used to working, my brother and I farm 1,400 acres with just the two of us. Last year our labor bill was $2,800. And if I wanted to be on the business side of things, I should have sold out and I should sell out today. As a family we could make more money by selling the land and living on the interest but there has got to be something more in farming for you than money. And also, I feel that we definitely need some type of target price, because right now every day that we live, we live with the fear of Government, at least I do, because in the past 2 years I have bought two farms; and last summer in July we went out and started buying irrigation equipment, because the price was high. I don't suggest a super-high price for commodities, I suggest a target price that is realistic, like this $2.25. At least that gives us something to plan on. Right now we need to invest in more wells and more pumps. That would cost us about $5,000 and we have nothing to go on. Like last summer the Government says we have got to get all irrigation equipment out that we can, so we spent $60,000 and we got close to 400 acres saved.

And if you have a moral character, and you are worried about this country and what is going to happen, you'd better first think of planning, because it isn't going to do us any good next summer to get in the middle of things and then throw the ax on it, by freezing exports. Also I think that there is a lot of aspects to agriculture that have been overlooked. Thank you.

Senator CLARK. Thank you very much. We appreciate your comments, and some original thoughts that we haven't heard before today. Harley Hiemstra, Rural Route 2, Kingsley. Harley, you proceed however you think appropriate.

STATEMENT OF HARLEY HIEMSTRA, KINGSLEY, IOWA

Mr. HIEMSTRA. Thank you, Senator Clark.

My name is Harley Hiemstra. I operate a 640-acre farm in Plymouth County. My farming operation includes corn, oats, hay, raising and feeding hogs, a cow-calf herd and cattle feeding operation.

I do not think that Government controlled grain reserves are in the best interest of farmers. They have a very depressing effect on the market when they are held in storage and will also depress the markets whenever they are released from storage. Whenever the price of the grain would have a tendency to rise, the consumer pressure would force the Government to release the grain, therefore, forcing the price back down.

I think that in all probability an increase in the target price, that is the guaranteed price, should end at a cost of production price or

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less and therefore would not give the farmer a profitable price for his grain but would just increase production and create a surplus of Government stocks. For this reason I believe a 3-year recourse loan, pay back with interest loan, with interest rate equal to cost of the money to the Government, one that would not provide for the Government taking possession of the grain, would be a much better approach.

The farmer today has good facilities to store grain and if they owned the grain would be able to keep the grain in A–1 shape by using and moving the older grain first, as well as other methods, and would be able to move it to the market whenever they saw fit and then refunding the loan.

If an internationally controlled monetary fund was set up rather than an international grain reserve they would be able to use these funds to purchase grain from the world markets, or in all probability our markets, therefore allowing our farmers to sell their grain for a better price.

Another very important thing I think is to keep the export channels open and as free as possible from Government interference, and to remove the monitoring of farm exports, because other countries need to have access to our grain when they need them, otherwise they will go looking to other countries that will do this for them, leaving us out of the market. I think these exports are a necessity, not only to the farmers of America so they can receive a reasonable price for his grain, but to our country so that they can achieve a reasonable balance of payments.

I thank you for this opportunity to present my views.

Senator CLARK. Thank you very much. We appreciate your having come up to testify. Mr. Whiting, Mr. Whiting is another witness I know. When I started walking across the State not very far from here, he was one of the fellows kind enough to put me up overnight.

STATEMENT OF M. J. WHITING, WHITING, IOWA

Mr. WHITING. I am glad to have you out in our balliwick. One thing that has bothered me a little bit, I hope we haven't got you completely confused about what is going on here today.

Senator CLARK. I am going to talk about that in a minute.

Mr. WHITING. Well, I didn't really come here with the idea of testifying. I did write a one page letter to be submitted, and I think I will read it at this time.

Senator CLARK. Good.

Mr. WHITING. And I am really happy you did get out. Senator Clark, regarding the updating or raising of price support loans and target prices to the farmer, I would like to offer the following thoughts. They are restricted to corn and soybeans, as I am sure ideas on cotton, milo, wheat and other commodities will come from areas of their prime importance. It is my opinion and only by opinion, that the target price of $2.25 is unrealistically high in relation to costs, considering normal yields. 1974 yields clouded our vision on average production. In planning and projections, we must use longer than a 1-year basis, if some of the related problems can be

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worked out, such as control of inflation, limiting of exports, and the establishment of a food reserve or bank, we should be able to fit into the economy with a target price of $2 a bushel, and have a viable market left in existence. I am afraid if we get a target price of $2.25 a bushel on corn, it will become a ceiling as well as a floor, and bring back a lot of old problems we thought we had passed. Soybeans should be targeted in a range of $4.25 to $4.50 a bushel, in my estimation.

Senator CLARK. What were those figures again?

Mr. WHITING. Soybeans, on corn, I think in a range of $1.90 to $2, and on soybeans, $4.25 to $4.50, which is approximately 2.2 times the price I had suggested on corn. In figuring these, I would make a few additional comments. It is nearly impossible to figure a cost of production on an historic basis, as has been mentioned today. The cost of fertilizer has gone up 400 percent. Somebody was talking about buying anhydrous ammonia at $70 a ton; it is currently $290, $300. What is the price? How do we plan or project our costs when they change from day to day? I think inflation has continued in other sectors. The cost of food—they are saying—is only going to go up 4.5 or 5 percent this year, went up 13 percent last year, 14 the year before, what do we base our projected costs on. This becomes the real question. We need to have some assurance that if we do commit ourselves to production, we aren't going to be wiped out. As Mr. Butz has said, the marketplace will give the signal, but to me the signal is pretty darn confused. Thank you.

Senator CLARK. I think that is true, thank you. Two other witnesses have asked to be heard, and I think we have time. First is Kenneth Gard, Rural Route 1, Sioux City, farmer from Woodbury County. And following him, Don Bergeson, Rural Route 2, Story City. He has come a way from Story City. Kenneth Gard, you proceed in any way you think appropriate.

STATEMENT OF KENNETH GARD, SIOUX CITY, IOWA

Mr. GARD. I would like to thank you for coming out here to the hearing today. I and my wife and four kids farm, we feed cattle and raise hogs. And I have sold some direct, but most are marketed through Sioux City stockyards. I have heard of a program whereby you would deduct a few cents a head from each producer to provide some insurance. I don't want you taxing my production at all. I think there are other ways to protect the seller. You can establish a lien so that the man who sells direct has title to the cattle until his check passes the packers bank, or by going to bonding, cut down the float. Under present conditions as I understand them, the farmer is providing the financing from the time he buys the calf until after the consumer gets it. This is because we are providing—the packer is providing 17-day notes to the chainstore, thus the packer is having a net cost on his money 7 days, and the chainstore gets cash immediately. So therefore there should be no investment by these two until after it is sold. Now we go to the grain reserve, which I read you are in favor of. There is no way—I feel there is no way you can insulate a Government-owned grain reserve from depressing the mar-

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ket price. It is there, everybody knows you have got x amount of bushels over here, so why should we pay more for what is available. So when supplies become tight, prices for grains do not have to be bid up because of the grain reserve. We have had it this way in the past. When I set up farming we raised corn cheap, later, in the late 1960's, we were told we had to take the smaller income until we got rid of the surplus; because the consumer couldn't afford to pay the storage anymore, and then we would be over this problem. We have had 3 or 4 years when the price has been excellent, now we want to go back to grain reserves, which I feel will deflate our prices. We have this Rock Island Railroad, and I wonder if part of the problem here isn't the Interstate Commerce Commission in regulations that doesn't allow for efficient use of cars. Why should we run railroad cars empty when they could pick up a load and bring it back, and you might check on the railroad, and some labor regulations in this area. If all of our production cannot be used, at a price that is profitable to the farmer, then in my opinion the best way as to some type of diverted acres program where we would raise less. If the market price is high enough, we could divert without a Government payment, this allows us to carry our own ball, so to speak. Otherwise, we have to revert back to the program from which we just left. I think farmers are entitled to an hourly wage that compares with the laboring man. Really we should be entitled to that wage, plus the return on our investment and risk, but we haven't been getting that wage in the 1960's; most of us. And then your target price. The way I understand it, this is set up only on the alloted acres, and every farmer knows what this is. We are allowed to plant 80 acres. We can plant over, but the price is just on the 80. Also, this price is f.o.b. Chicago. We are a long way from Chicago. The price we would receive here would be awful close too or under the cost of production. Any type of target price should include this, and the first priority, it should have an escalator clause for increases in cost of production. It should be set up so that part is not renewable at the discretion of Congress.

Senator CLARK. The Senate did pass the escalator clause, and under the threat of veto, it was taken out. Go ahead.

Mr. GARD. And then Secretary Butz has said in target prices we should not include land cost. Perhaps you could ask Secretary Butz how many acres of corn he can raise without land. If he can, I am sure he would tell all the rest of us to go to hell. In conclusion, I want to say thank you.

Senator CLARK. Thank you. Don Burgeson, Rural Route 2, Story City.

STATEMENT OF DON BERGESON, STORY CITY, IOWA

Mr. BERGESON. Senator Clark, ladies and gentlemen. I wrote this about a month ago, and after hearing a lot of the things that have been taking place here today, I feel it is almost a little bit untimely, and still it is not. I wish I could logically and effectively say just a few of the things that cross my mind as I sit here and listen to these people present their problems and views on two agriculturally related issues of importance: robbery and relief.

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Times change somewhat, but not too long ago our ancestors would have known exactly what to do in either case. That was before we became quite so civilized, well educated and of necessity only vocal. Actually we are awakening to find ourselves in a mental instead of a physical world. Now I didn't come half way across the State of Iowa to talk about either the new future or the good old days—but to those of you here who still think and will be thinking in that future time—hopefully soon.

I happen to believe that this country of ours has slipped a long, long way from the ideals of our forefathers and I'm naive enough to feel that I even know why! The two areas being discussed here today are just two, and to my humble way of thinking, basic. I wear a slogan button pinned to my cap around home. It has come to have its special meaning to me and I wear it in contempt and with a strange personal kind of reverse satire. It says: "Join The Gold Rush". Its origin is lost to me but I got it from my young stepson who had just come from a football game. My personal experiences of the past few years have brought to the forefront of my existence and survival one tool: M-o-n-e-y. It's the name of the game! This hasn't always been so for me. I had been reared or brought up strictly middle class, adequately poor, but rich in spirit, in fact have prided myself on being frugal, conservative, ingenuitive, and inventive within my limits. Gold to me would have to be money, so to join the rush would have to seem like the usual advice. However I said it is in contempt and contempt it is! There may be gold in them there hills, friends, but the fools are there as well! You'd be surprised at the fools I see hurry-scurrying off and the little lift I get in watching them go. I went overseas a few years ago on a once-in-a-lifetime-trip experience. I can't share it here, but I saw really poor people and had a chance to see oppression by force like we read about. Yet when I came back three things stood out in my mind. (1) I had seen happy people for the most part, simple but happy! I hadn't been back in the States 3 hours before I had become an observer to three separate incidents where my fellow countrymen were involved in more trouble and woe that I had seen in almost a month. (2) We are a restless, energetic and consuming Nation, as other parts of the world are or soon will become. (3) Greed, parasitism and inflation will destroy all that we now hold dear. I would have liked to have read two editorials written by others and published nationally which carried these three underlying points. Their titles were "Are Farmers' Freedoms Slipping Away?' and "Is Inflation, A Moral Issue?" However, they were my only copies and were unreturned in time for this hearing. Both were right on target.*

I mentioned that we live in a mental world. Well, that's highly exaggerated but becoming more and more true. Our country and civilization is becoming more regulated and controlled by law; civil, moral and physical. I think this is right, but these laws will have to be infinitely just and equal beyond our present wisdoms; and then universally understood and respected. Watergate should have proved to us—amongst other things—that there are those who can place themselves above our civil laws by mental manipulations. Plainly

*The above-mentioned articles are retained in the Committee files.

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and simply I think that this is exactly what has happened in the case of these "no good checks" and a bankrupt packing conglomerate. If I as an individual were to buy something and not pay or to give you one of my "rubber checks", I would end up in a jail cell no less. In addition you could expect to recover your property as well. If I were to go out and steal it; in the old days, I'd hang! One cowboy to another I'd say: "Pardners, there's either a lot of rustling goin' on, or a hell of a lot of Indians eatin' off our herds."

So much for robbery, except that I'd like to say it is taking place all around us today and everywhere. Uptown any business, the banks, the implement houses, the grocery stores, our own co-ops, the markets, the salespeople on radio, TV, or the papers, our governments—local, State and Federal. They are all out there and they need your gold! Nowdays they don't even have to level a gun at your heart or threaten your life. They don't give you service, they don't have to give you quality or value nor even so much as say thank you. Because they know you'll be back! You are a consumer and hooked exactly like any other addict!!

The second issue here today is "relief"—emergency livestock loans. Once again I can speak from experience because I happen to be a small farmer involved in another disaster, specifically last spring. Your misfortunes are new enough and generally understood here and now, but you will or do need help. How many have already told your story to someone that you owe on Main Street and they shook their heads and said; I'm sorry but my landlord collects his on the first and the price of gasoline is so high it takes a whole week's pay to drive back and forth, besides the groceries I brought home last night cost me $50, for a little sack full we ate at dinner, et cetera, on and on. Now that's bad, but I hope none of you has had to experience the despair of going to your friendly banker and having him say: No, John, I'm sorry I can't give you another cent, the dead cattle were your collateral and although I hold chattel on all of your other assets, truth is if the markets are as wild again this next year we'll all go broke! We could, however, refinance your farm or you could sell out! Besides you should have bought all of those steers horse blankets last fall before winter set in. Your note is due tomorrow, take your time, but you had soon better decide. Wall Street was bullish and my foursome is waiting for me on the first tee.

Now, that's worse, but when you've heard these two and decided that a government by the people and for the people should be big enough to do something—especially when the law already says so and you happen to meet all of the requirements. Your hopes are dampened by a mass social education program where all common people are once again to be made the fall guys. Money is the tool and we had better start listening. Overconsumption is going to stop. Start drawing in your belt and live like the slaves you are! Instead of governmental self-help, you find another friendly banker or maybe like I did; an ex-farm boy whose father went broke and should have moved to town when his son did to make good—even if that son is now eating out of the public trough. He says: "I hate to kick you when you're down"—a direct quote—or go get a job in town, or you're not a big enough farmer, or you're not quite the kind we need

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today, or, and I quote again: "We must respect the lending policies established by the various lending institutions." Now perhaps any of this doesn't say much to any of you, but to me it has become a death sentence and my feelings can be summed up in just two words: B - - - s - - - ! Hasn't anybody read "The Grapes of Wrath"? If I could prevent it from happening to just one of you represented here today, I'd say it was worth the trip.

Now don't be disillusioned by the hope or even the promise of help! Think about the planned confusion in pulling this little act right here off. Think, too, about when only a little over a couple weeks ago some high USDA underling said it's good that some farmers are going bankrupt and the Boss Mucky Muck says he himself wouldn't have said it just that way. Think about it! As farmers you are a minority and as disaster-stricken farmers we are even weaker voiced. You've only got one thing going for you and that's your position in the food chain—and as soon as you can be bought off, enslaved, and replaced you've lost that! Otherwise get used to minority rights. The day hasn't arrived when one man can meet an army and logically say that such and such is so and he could be compromised to this point only. Instead, it's join or be trampled, get big or get out, or hang him. Have you any idea how your voice would sound against the roar of a mob chant like "Sieg Hiel!" Our human memories are pretty short and the lessons rather harsh. Hitler's Germany chose that particular route out of the great world depression, remember? And we say it can't happen here. Still we have a Government which plants the words and allows the biggies to control our lives and destinies on the assumption that what's good for Standard Oil, A.T. & T., and Midwest Continental Grain is good for America! To hell with the family farmer and the common man. Again I have to say bull, bull, and more bull. Make yourselves heard and remember the old saying that; "The squeaky wheel gets the grease,' and I'm going to add: "and especially on a four-wheeled wagon," that includes you! Here's another I've heard or read somewhere along the line: "We are our brother's keeper." It's true, but it too must be brought up to date. As just one farmer I will look any man alive in in the eye and add this thought: "Yes, I am, but only so long as he would keep me or is unable to do so for some reason. Share my bread but don't steal it."

There has always been greed: for power, for money, for food, and for every other human need, effort, and desire. Yet the only thing that holds us together is to share—one human to another, whether it be ideas or bread. These are not sharing times and we are all to blame!! Old No. 1 and greed are the rules today, it's invariably dog eat dog!

There isn't a reason why anyone here shouldn't have been paid for his livestock—nor an equally valid excuse for not offering a hand to those in need. My native instincts offer the only three hypotheses I can comprehend. Nobody cares, or we want George to do it. Somebody has gotten fat, or there are too many scavengers to pick the bones.

Thank you for allowing me to speak. I hope that some of you have heard and understood a little of what I have said. Good luck, neighbors, and thank you.

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I have been reflecting some additional thoughts about this American Beef situation and wonder if it might not be a blessing in disguise. One article, in last Sunday's Des Moines Register, discussed some different views and aspects and it rejuvenated a thought I had earlier. One farmer who was a holder to the sum of $40,000 pointed out that American Beef could pay back the original amount after a lengthy legal hassel and actually have capitalized on interest-free money. It just could be, that besides being victims, a lot of people have become unwilling investors and silent stockholders to these Madison Avenue midnight rustlers, or are they Dallas cowboys?

What is wrong with American agriculture today? My biggest complaint as a farmer is to go to town with a truckload of grain or livestock and be offered so much and then told what I need to pay for the oilmeal, fenceposts or the hamburger I'm taking back home and the proportions are so far out of balance even a dumb farmer knows he's been had. We've been encouraged to specialize and in so doing have become completely dependent upon a system that really won't sustain nor support our goods and services except at the mercy of financial money. Fifty-some people have had to have been fed and some are eating pretty high on the hog. "Share my bread but don't steal it."

I say the American farmer is not only being made an ass of but a goat as well. Financial interests from all directions are whittling, chopping, and tearing into your lives and freedoms like a chain saw could or a huge mechanical wood chipper. We are all easily managed as sawdust or chips and not nearly so formidable as a living whole tree. What other industry is known so much about by others? Many of whom make it their business to know more about your business than you yourself do. The answer is none and the reason is food. We all eat. All this food talk is making an impression on just 95 percent of the people and they are going to see to it that they eat one way or the other!

If American Beef is in financial trouble with its creditors, so be it, it is neither the first nor the last instance of a creditor forcing bankruptcy. The important thing is that the "second largest" is either being brought to its knees or the "rape and robbery" goes much deeper. Whichever it is, it should be determined by the laws of this once great country of liberty and justice for all—and pronto! The legal profession itself is being challenged by a second Watergate right here and now. Is it all so corrupt that the company lawyers of A.B.P. will prevail? And I'll bet they have the best money can buy. Will money buy the courts and the laws of this country as well?

All of this isn't what I really want to say when I suggested a blessing in disguise. It's an opportunity for American agriculture to gain a tremendous step in the direction we lack the most: control! Control of our own products. Control of our own businesses. If A.B.P. is bankrupt and will be offered for sale—do you know who should buy? Every man-jack in this room that owns or anyone who ever intends to own a cow or any other kind of a critter we call beef! You and I, all of us. Individuals, cattle organizations and associations, all the way up the line. From the smallest to the biggest! What a chance to sweep the front porch and open the store and I

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really mean "open the store". What would be better than to control our own product all the way to the consumer. And American kids still love hamburgers, malts and apple pie.

Maybe we can't learn much from our Arab brothers when it comes to oil but when it comes to food—we'd better damn sure well try! Next year at a hearing similar to this—the benches will be filled in the Sioux City auditorium and you won't be a minority then if things continue. You might even be surprised at who will sit right next to you unless the signs of our times change.

Good luck and good farming to all of you. Make it go like your lives depend on it—they do!!

Senator CLARK. Thank you very much. I want to thank all of the witnesses for preparing your statements, and coming here and giving us your ideas. I'm not going to make a long closing statement—I have a plane to catch in Sioux City at 4 o'clock, but I would like to just say two or three things.

First of all, I want to thank the Herbold Livestock Auction Company Sale Barn here for their kindness and generosity in making this place available to us, and putting up the delays and the postponements which became inevitable because of votes on the Senate floor. I know it was a great inconvenience to them, and we're very, very pleased to have an opportunity to work with them.

By way of summary, I am somewhat comforted to find that farmers are about in as much disagreement about agricultural policy as Congressmen are. There was a great variety of opinions expressed here, and I think that's appropriate. That's what democracy is all about. You can't get everybody to agree to the same thing. We found that when we are talking about 435 members of the House of Representatives, we find it when talking about 100 members of the Senate, we find it of course when we're talking to farmers in Northwest Iowa.

With the great variety, it's hard to summarize, but just let me try to hit two or three of the major points. It seemed to me that on en end, people were saying. "We do not want any Government controls. We want the Government entirely out of agriculture." Now presumably, that means that we should not have either export or import controls of any kind, no target price, no loan, recourse or nonrecourse, no set-aside. That would be a total free enterprise system. Others, on the other hand, and sort of to the other extreme—I don't know that I want to use the word extreme—but on the other hand, testified that the Government should be insuring not only the cost of production, but they should also insure a fair profit in addition to the costs of production.

Everyone who mentioned the subject of import controls, did argue for greater Government control, that is every person that brought it up suggested that they really should be controlled much more tightly. Everyone at the same time suggested that there should not be any export controls.

And so there is disagreement. And I don't think that's particularly bad. I think each of us looks at a situation somewhat differently.

Let me just conclude by saying that these hearings are by no means window dressing. We are going back this next week—we are going

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back this afternoon as a matter of fact. And this next week on Tuesday, the House of Representatives is going to vote on just what we've talked about here today—the level of the target prices, the level of the loan rates, and some other things.

On Tuesday this committee, the Senate Committee on Agriculture, is going to meet at 10 o'clock in the morning, having now completed all of our hearings around the country and in Washington, and we are going to decide what we think the target prices, and the loan rates, and the disaster provisions and the allotment, should be.

So I greatly appreciate having the ideas and the input and the testimony of the people who came here today. I also appreciate the other people here who have shown the interest to come. And I can only assure you that these ideas will be considered, and that they have their effect.

And I thank you very much for coming, and I hope to be seeing you again soon.

[Whereupon at 3 p.m. the hearing was adjourned subject to call of the Chair.]

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ADDITIONAL STATEMENTS FILED FOR THE RECORD

STATEMENT OF LOREN A. SCHUETT, HOLSTEIN, IOWA

From what I read the Agriculture Committee is working towards a target price with a nonrecourse loan. A nonrecourse loan to me means that the government will undoubtedly take over the grain if the price is down to target and the farmer has to sell. Regardless of whether the government stores the grain on the farm or elsewhere, it still belongs to the government, creating a reserve which keeps markets depressed simply because the reserve is there. Another factor is that when prices of grain do go up significantly, public pressure will cause government to release stocks, lowering prices.

A guarantee price for grain set too high will also increase production and create surplus.

I still favor a recourse loan at a reasonable interest charge to farmers, allowing the farmer to borrow against the grain in order for him to seek a reasonable price for grain within the loan period. I suggest a three year loan. I also feel another very necessary approach to this problem is to actively seek foreign markets, allowing this grain to move at a profitable margin to the farmer. Monitoring of exports do not help our foreign trade so should never be allowed to be imposed. If prices go high the public will just have to bear with us, as we need world trade for balance of payments, and the farmer, given a reasonable profit, will definitely produce maximum.

If an international grain reserve is desired, an internationally controlled monetary fund of money would be much more desirable than an international grain reserve, as it looks to me like a grain reserve would be supported mostly by the U.S., not assuring a profitable price for the farmer or else costing the government more than it should to operate.

I really like to just see the government stay out of my business as much as possible.

I just don't want a reserve as in the past, which depressed prices of grain.

STATEMENT OF JAMES WERNER, HOLSTEIN, IOWA

First, I *don't* want the government to get control of grain at any time. A reserve will be a surplus, used to drive prices down. They may not be set up this way but can be changed.

Next, isn't it possible to have U.S.D.A. make a subsidy payment direct to farmers to make up the difference in price on an open and free market and the cost of production? I do not believe we should have to produce at 85 per cent of parity or any other such figure. On top of this we should have a profit above cost of production. This is not bad because all business needs a profit to stay in business.

If the market needs all-out production, which Washington says we do, there probably would be no government payment if we are allowed to export our grains. These foreign nations are willing to pay cost of production for our grains from what I hear.

If the school hot lunch prorgam would be put under education, meat packing plant inspection under a consumer heading, and many other of these things that run up U.S.D.A.'s budget were removed, U.S.D.A. would not have to come up with nearly as much money and farmers wouldn't have to shoulder all the blame for all the programs that don't have anything to do with agriculture. The main one to go should be food stamps and all welfare. I feel 90 per cent of this is unnecessary anyhow.

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By allowing the price of grain to float on the open market, possibly it will be priced so that livestock farmers can afford to feed the grain to maintain the government cheap food policy.

I have a price of $2.74 as my target price for corn, which I am familiar with, as what I think corn should be priced at. This has a 10 per cent profit figure in it which I dno't think is too high. This $2.74 figure would have to have an inflation clause in it to be continued from year to year.

My figures are based on current prices we have to pay for fertilizer and other supplies. I have a land charge of $85 per acre which came about from $1,000 an acre for land at 8.5 per cent interest plus $15.00 an acre for taxes. These may be controversial, but I needed something to work from and felt these were in the ball park.

Land charge	$85.00
Land taxes	15.00
Fertilizer for 100 bushel corn	50.00
Seed	11.00
Insecticide	5.00
Herbicide	10.00
Total	176.00
Machine costs to put crop in and harvest:	
Disc	2.00
Plow	6.00
Disc	2.00
Plant	5.00
Spraying herbicide	2.00
Rotary hoe	1.00
Cultivate two times	5.00
Combine	15.00
Dry corn	15.00
Transportation to town	5.00
Storage, 180 days	5.00
Total machine costs	63.00
Total	239.00
Crop insurance	10.00
Grand total	249.00

Cost of producing 100 bushel per acre of corn—$249.00. Ten per cent profit $.25 equals target price of corn—$2.74.

This guaranteed price could be paid on farmer ASCS crop yield figures, but I think should be paid on total crop acres in the farm.

I believe that possibly corn would be the only one that would need a guaranteed price as the price of all other grains are based on the price of corn.

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